

City of Kankakee, Illinois

**Comprehensive
Annual Financial Report
for the Fiscal Year Ended
April 30, 2012**

**Prepared by:
The Comptroller's Office
James A. Spice
*Comptroller***

**CITY OF KANKAKEE, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED APRIL 30, 2012**

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INTRODUCTORY SECTION



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Kankakee, Illinois 60901
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web site: www.ci.kankakee.il.us

October 18, 2012

Honorable Mayor, City Aldermen, and citizens of the City of Kankakee:

The Comprehensive Annual Financial Report (CAFR) of the City of Kankakee, Illinois for the fiscal year ended April 30, 2012 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City of Kankakee management. To the best of the Comptroller's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of all the governmental activities, business-type activities, component units, and funds of the City of Kankakee. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, beginning with the fiscal year ended April 30, 2004. The GASB is an organization that establishes accounting and financial reporting standards for state and local governments in the United States. GASB Statement No. 34 significantly changed the required format for governmental statements in a number of ways. The most significant of these changes was to require that governments prepare entity-wide financial statements in addition to the fund-based financial statements that governments have traditionally prepared. The entity-wide financial statements present a government's financial position and results of operations in a manner similar to a business.

This letter of transmittal should be read in conjunction with management's discussion and analysis to obtain the most complete assessment of the City's current financial status and its future prospects.

The Reporting Entity and its Services

This report includes all of the funds for the City of Kankakee (the primary government), as well as its two component units, the Kankakee Public Library and Special Service Area #1. Component units are autonomous entities for which the primary government is financially accountable.

The City of Kankakee was incorporated in 1865 and operates as a home rule municipality pursuant to the 1970 Illinois Constitution. The City is governed by an elected mayor and a City Council comprised of 14 aldermen. Two aldermen are elected from each of the City's seven wards for four-year terms. Mayoral elections are held every four years.

The City provides a full range of public services including: public safety (police, fire, emergency ambulance, and code enforcement), street and public infrastructure maintenance, sanitation, sanitary sewer collection, storm drainage, health and social services, culture and recreation, municipal planning

and zoning, and general administrative services. Wastewater treatment service is provided by the Kankakee River Metropolitan Agency ("KRMA"), which is jointly owned and operated by the City and the neighboring Villages of Bradley, Bourbonnais and Aroma Park. Water service is provided by Aqua Illinois Water Company, a private utility.

The City of Kankakee is located in Kankakee County, approximately 60 miles south of Chicago in the northeastern section of the State of Illinois. The City has recently extended its boundaries in a southerly direction through annexation. Since 1990, the area of the City has grown from 10.2 square miles to the current 14.5 square miles, an increase of 42% in land area. With a current population of 27,537 (2010 U.S. Census), the City acts as the industrial and service center for the Kankakee metropolitan area, operates at the center of a metropolitan populace of approximately 75,000 people, and is the county seat of Kankakee County, which has a population of 113,449 people.

The Kankakee River

One of the City's greatest assets from an economic and recreational standpoint is the Kankakee River, which flows in a northwesterly direction through the middle of the City. At the point where it flows through the City, the river is about $\frac{1}{4}$ of a mile wide. There are several City parks along the river's edge that provide opportunities for public fishing and boating activities. At the end of each summer, the City hosts a national speed boat racing championship on the river which draws many boaters and tourists to the area. The Kankakee River State Park, which covers an area of about 4,000 acres, is located about seven miles northwest of the City. The park attracts thousands of tourists to the area annually.

The Kankakee River serves as the source for the metropolitan region's drinking water supplied by Aqua Illinois, Inc., a private utility. The river has a dam close to the downtown area of the City. The water behind the dam powers a City owned low-head hydroelectric plant. The plant generates electricity that is used for the operation of the KRMA wastewater treatment plant.

Transportation

The City is situated in the center of Kankakee County, which is contiguous to Will County on its northern border. One of the nation's major north-south routes, I-57, passes along the eastern side of the City. This interstate highway provides access to the heart of the City of Chicago in approximately one hour driving time. The City of Kankakee is about 30 miles south of I-80, a major national east-west highway connecting the east and west coasts of the nation.

The City's public road transportation needs are met by Greyhound bus line, as well as the region's metropolitan bus service. Railroads serving the County include Illinois Central Gulf (owned by Canadian National Railroad), Conrail (owned by Norfolk Southern), and Amtrak (provides passenger service). The Kankakee Valley Airport, located two miles south of the City's downtown area, has hangar space for 110 aircraft. The airport is utilized by both general aviation aircraft and corporate planes.

Education

Kankakee School District No. 111 provides educational services for pre-kindergarten through grade 12 with enrollment of approximately 5,500. The four parochial schools serving the Kankakee area (Aquinas Catholic Academy, Bishop McNamara High School, Grace Baptist Academy, and Trinity Christian Academy) have a total enrollment of over 850 students. Higher education is available through Olivet Nazarene University (a four-year liberal arts college) in Bourbonnais, and Governor's State University, which is located about ten miles north of the county line in Will County (University Park). Olivet Nazarene University has increased its enrollment to the current level of 4,544, which includes 2,719 undergraduates. The number of students living on-campus has grown substantially from 1,100 in 1990 to 2,148 in 2012. The greatest enrollment growth has occurred at the graduate level, where the number of students has grown to the current level of approximately 1,500.

Two year undergraduate education is offered at Kankakee Community College, located on a 160 acre campus in Kankakee. There are 3,782 students currently enrolled at the community college. The college reports that it has a total of 16,000 students taking classes each year.

Internal Control Objectives and Inherent Limitations

City of Kankakee management is responsible for establishing, implementing and maintaining a framework of internal controls designed to ensure that City assets are protected from loss, theft or misuse, and to ensure that sufficiently reliable information is compiled to provide for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of control should not exceed the benefits likely to be derived, the City of Kankakee's internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The Comptroller's Office is responsible for providing all centralized City financial services, including financial accounting, reporting, budgeting, payroll, collections, accounts payable, cash and investment management, and debt management. The Comptroller, who is appointed by the Mayor to supervise the department's operations, asserts that, to the best of his knowledge and belief, this financial report is complete and reliable in all material respects.

Budget Process

The City of Kankakee adopts annual budgets for the General Fund, Band Fund, IMRF Fund, SSA#2 Fund, SSA#3 Fund, and SSA#5 Fund. For the other special revenue funds, legally authorized non-appropriated budgets are used to control expenditures on a project (or designated purpose) basis, and are carried forward each year until the project is completed or the designated purpose has concluded. No legally adopted budgets are prepared for the capital projects and debt service funds. Expenditures for capital project funds are controlled on a project basis. Expenditures for debt service funds are controlled through general obligation bonds' indenture provisions. Additional information related to the City's budget process can be found on Page 78.

Long-term Financial Planning

The City endorses the concept that those who benefit from the use of the City's capital assets should pay a proportionate share of the costs of those assets. The City has financed a host of capital projects (over \$54 million) over the past 19 years through the issuance of bonds. This has enabled the City to amortize the costs of the projects, at least to a degree, over the life of the constructed assets. The Capital Projects Fund, which provides the financing for major capital improvements over a multi-year basis, has been a useful tool to the City in planning for the replacement and enhancement of its infrastructure assets.

City Government Operations and Finances

The national economic slowdown continues to exert a major impact on the City's financial operations. City Administration responded to national economic conditions at the beginning of fiscal 2011 by moving its Public Works Department from the General Fund to the Sewer and Solid Waste Utility Funds to more properly match the Public Works environmental control (storm water management) and solid waste handling responsibilities with the related sewer and solid waste revenues. The City's General Fund did contribute \$1.2 million to the Solid Waste Fund during fiscal 2012 to pay for those Public Works costs not directly attributable to either environmental control or solid waste handling.

City Administration further responded to its concerns regarding the economy by reducing its General Fund payroll costs. The City negotiated with its various organized labor groups to negotiate a wage concession of up to 12% per employee (estimated value of over \$1.3 million) during fiscal 2011 through a combination of attrition, non-wage cost reductions, or direct wage concessions.

Early in fiscal 2012, the City reorganized, laid-off 13 employees and realized additional personnel reductions of three employees through attrition, allowing the City to adopt a break-even budget for fiscal 2012. The City concluded the fiscal year with a small (\$0.02 million) fund balance increase this fiscal year. As a result of the reorganization and other adjustments, the City was able to adopt a fiscal 2013 budget that includes a \$0.25 million surplus. This puts the City back on track to build its General Fund reserve balance to a more prudent amount to provide for economic contingencies.

In fiscal year 2000, the City entered into sales tax sharing agreements with various retail firms. These agreements have added a substantial amount of additional sales tax revenue to the City's General Fund. This tax sharing program is based on a company's willingness to site a purchasing and/or sales approval office within the boundaries of the City. The agreements provide that the City will share a portion of the local share of sales taxes that are generated on the transactions of the partnering companies. Although sales tax receipts declined 15% (\$3.1 million), there was a corresponding decrease in the related tax incentives (declined 20% (2.9 million) from the sales tax sharing program, resulting in a \$0.1 million (3%) decrease in net sales tax revenues for the fiscal year. The City has recently been named in two lawsuits regarding its sales tax incentive agreements.

The City completed renovations to the former Library Building in July 2008, and that building now acts as the City Administration Building (Mayor, Clerk, Legal, Personnel, Comptroller, and Adjudication). The old City Hall was also renovated, and opened in April 2009 as the Public Safety Center. It houses the Police Department and the Fire Department Administration Division. City Council meetings are again being conducted in the Council Chambers located on the second floor of the Public Safety Center.

Major Initiatives and Economic Outlook

Employment opportunities in the City are diverse. On the private side, several companies in the Kankakee metropolitan area are manufacturing divisions of Fortune 500 companies making a variety of products. Many of these industries compete in national and international markets. Major regional employers include Armstrong World Industries, BASF Corporation, K-Mart and Sears Distribution Centers, Wal-Mart, CSL Behring, Dow International, CIGNA Insurance Claims Processing Center, Baker and Taylor, Provena St. Mary's Hospital, Super K-Mart, Riverside Medical Center and Shapiro Developmental Center.

The Kankakee metropolitan area has benefited from the investment in commercial activity. In August 1990, Northfield Square opened on the outskirts of the City. Northfield Square is a sizable mall, and includes Sears, JC Penny, and Carson Pirie Scott anchor stores. Mall stores employ about 1,000 people. Several other stores and establishments that are nationally recognized have operations located in the area. They include Holiday Inn Express, Comfort Inn, Fairfield Inn, Hampton Inn, Best Buy, Red Lobster, Pizza Hut, Pier 1 Imports, Lone Star Steak House, Cracker Barrel, TGI Fridays, Target, Barnes & Noble Booksellers, Staples, International House of Pancakes, Buffalo Wild Wings, Texas Roadhouse, Mancino's Pizza and Grinders, and WalMart (one store just north of the City, and another on the south side of the City).

In 2003, the City initiated redevelopment at Exit 308 on the southern border of the City. The project initially brought a Hilton Garden Inn hotel/convention center complex (completed late Summer 2004). A Gas City service station, which includes Dunkin Donuts, Great American Hotdog, and Subway Sandwich shops opened in December 2005. A Taco Bell/Kentucky Fried Chicken Restaurant opened in late 2007, and a WalMart Super Center opened for business in April 2008 in the project area. During fiscal 2009, a Dollar Tree Store, the El Mexicano Restaurant, U.S. Cellular Store, Best Mattress Store, and the Cash Store commenced operations in a retail outlet complex located between the hotel and the WalMart. Aldi constructed a new store just outside this project area, which opened in November 2009. A new Love's Truck and Auto Fuel Center, including an Arby's Restaurant, opened late in 2011 on the south side of the I-57 Exit 308 intersection. There is optimism that this project will continue to act as an anchor for additional commercial and residential growth in south Kankakee.

Other significant economic events during the past few years include the following:

- continued investments in infrastructure improvements (curb, gutter, sidewalk, and other capital improvements and additions) of over \$54 million throughout the City
- completion of a four-story parking garage (600 parking spaces) at Riverside Medical Center
- expansion of the Riverside Medical Center facilities for outpatient, women's health, cancer care, and physician offices completed at a total estimated investment of \$24 million
- expansion and modernization of Riverside Hospital, completed in late 2011 at an investment of \$60 million, added 115,000 square feet and houses 12 state-of-the-art operating rooms, one dedicated cesarean-section operating room, 18 private intensive care unit rooms, seven new labor, delivery and recovery rooms, and 23 family-centered private rooms

- expansion of the IKO Roofing manufacturing facility that employs 55 full time people, originally built at a cost of \$40 million in April 2006
- the relocation and expansion of the Jones International truck dealership on seven acres of land in the Eastgate Industrial Park from its previous Court Street operation at an investment of over \$1 million, and retention of 12 jobs
- construction continues at BASF Corp on a \$17 mil. expansion project that will serve to retain 280 jobs and will involve the relocation of a product line from a South Carolina facility
- addition of the Illinois Central Plaza park (including a water fountain) and Merchant Street Parking Lot, providing additional downtown parking, following the demolition of the aged former Carson Pirie Scott Building
- Kankakee Community College completed construction of a \$9 mil. Arts and Sciences building
- the creation of a partnership between the City and the local newspaper company, the Daily Journal, and several sponsoring companies, to create an internet “Hot Spot” named Wi-fi Kankakee (www.wifikankakee.com) to provide limited free and unlimited affordable internet services for residents, businesses, and visitors
- Sun Chemical, a manufacturer of specialty inks used for product packaging, annexed its manufacturing facility into the City during calendar year 2009 and subsequently expended \$33 million to expand its manufacturing facility

Future economic activities include:

- the Kankakee County Economic Alliance continues to partner with the City on a comprehensive land use study of the areas surrounding and connecting Provena St. Mary's Hospital and Riverside Medical Center for creation of a health care corridor
- the City and the Kankakee Development Corporation partnered to revamp the Lakota Group Downtown Plan that was created in 2000; the plan provides a framework for developers and businesses seeking to locate in the downtown area

Independent Audit

Illinois Compiled Statutes require an annual audit of the City's books of account, financial records, and transactions by an independent certified public accountant. The Certified Public Accounting firm of Groskreutz Schmidt Abraham Eshleman & Gerretse performed the audit of the records of the City for the fiscal year ending April 30, 2012. Their report is included herein.

As a recipient of various federal and state financial assistance programs, the City of Kankakee is also required to have an annual audit of certain major federal grant programs performed under the OMB Circular A-133. This audit contains information concerning whether grant activity is presented fairly in the general purpose financial statements, whether internal control is sufficient to provide reasonable

assurance that the grant funds are managed properly, and whether material grant compliance requirements have been met. The Federal Single Audit is also included in this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kankakee, Illinois for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended April 30, 2011. This was the fifteenth consecutive year that the City of Kankakee has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

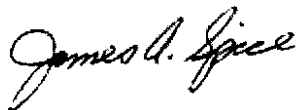
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

Timely and fairly presented financial statements and reports are essential to legislative officials, creditors, financial analysts, the general public and others having need for government financial information. The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff (Jeannette Holden, Maureen Kambic, Elyssa Macias, and Tamie Seedorf) of the Comptroller's Office. We especially appreciate their dependability and the routine manner in which they each consistently, effectively and accurately perform their work.

We would like to express our appreciation to the Mayor and City Aldermen for supporting this office's efforts to manage the City's financial operations in a responsible and progressive manner. We would also like to express our appreciation to the firm of Groskreutz Schmidt Abraham Eshleman & Gerretse for their professionalism, expertise, and assistance in the preparation of this report, with special appreciation to M.J. Abraham, partner, and auditors Dan Brough, Jason Guest, Neil Rago, Rebecca Schatz, Ryan Williamson, and Todd Hespell.

Respectfully submitted,

A handwritten signature in cursive script that reads "James A. Spice".

James A. Spice
Comptroller

City of Kankakee, Illinois
Officers and Officials
April 30, 2012

Elected Officials

Mayor

Nina Epstein (2009 – 2013)

City Clerk

Anjanita Dumas (2001 – 2013)

Council Members

First Ward

James R. Cox (1985 – 2015)

Glenn E. Davidson (2009 – 2013)

Fifth Ward

Dexter Thompson (2011 – 2015)

Tyler D. Tall (2010 – 2013)

Second Ward

James H. Stokes, Jr. (2011 – 2015)

Cheryl Jones (2005 – 2013)

Sixth Ward

Dennis Baron (1987 – 2015)

Rich Browne (2009 – 2013)

Third Ward

Stephen Linneman (2008 – 2015)

Larry A. Osenga (2009 – 2013)

Seventh Ward

Steven Hunter (1973 – 2013)

P. Carl Brown (2001 – 2015)

Fourth Ward

Danita Grant Swanson (2003 – 2015)

James A. Faford (2009 – 2013)

Appointed Officials

Larry Regnier

Police Chief

L. Patrick Powers

City Attorney and Treasurer

Ronald Young

Fire Chief

James Gordon

Personnel Director

Bert Dear

Public Works Superintendent

James Banasiak

Director, Code Enforcement

David Tyson

City Engineer

James A. Spice

Comptroller

Clifford Cross

Community Development Director

Julie Choquette

Victim's Assistance Director

Richard Simms

Municipal Utility Superintendent

Steve Bertrand

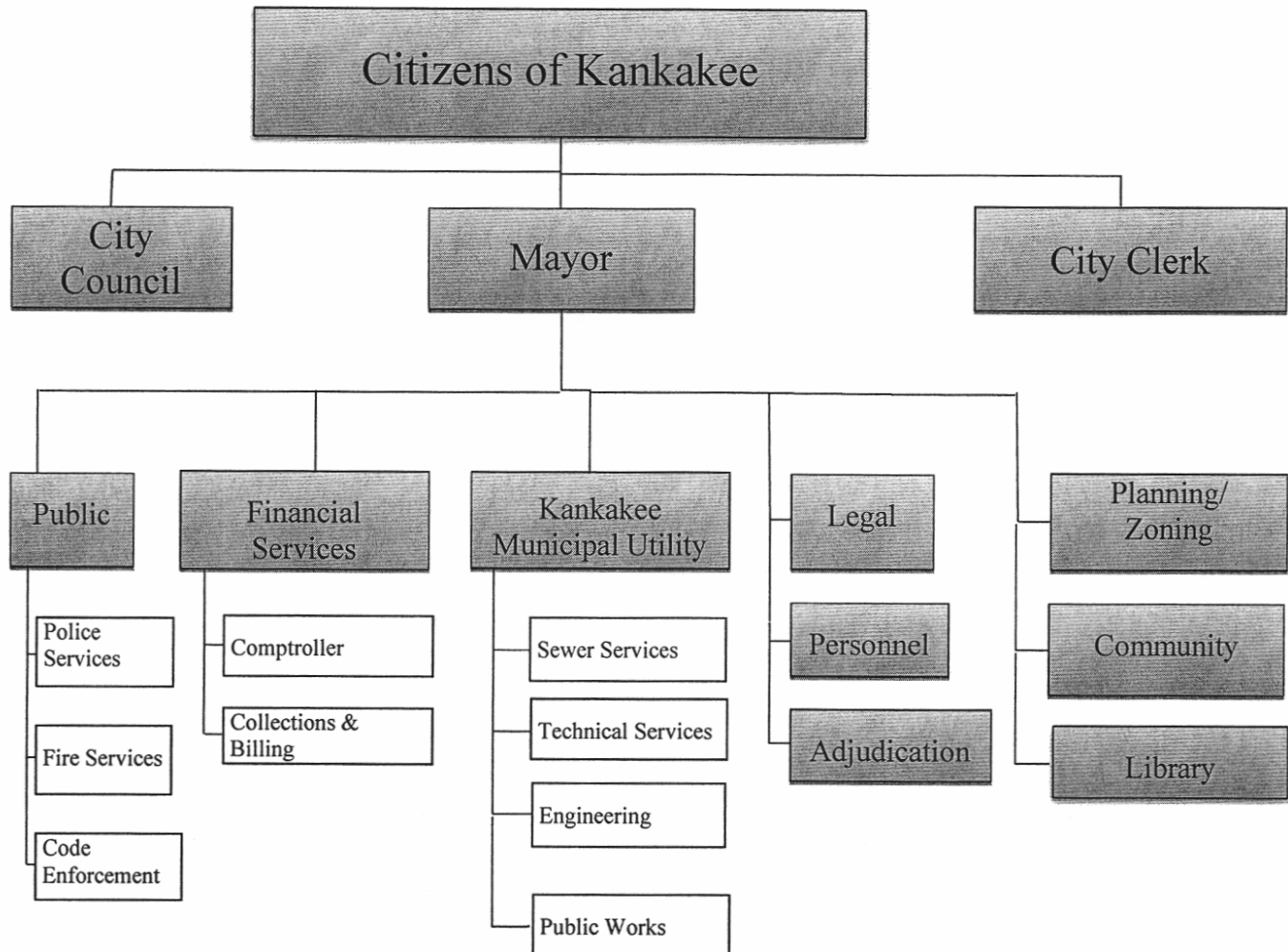
Library Director

Chris Bohlen

Chief Legal Counsel

City of Kankakee, Illinois

Organizational Structure



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kankakee
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
April 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



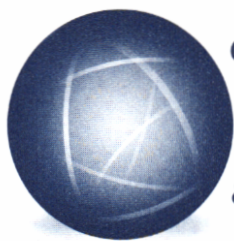
Linda C. Sandson

President

Jeffrey R. Ennis

Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
City of Kankakee, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the

CITY OF KANKAKEE, ILLINOIS

as of and for the year ended April 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Kankakee, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, Illinois, as of April 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the City of Kankakee, Illinois adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended April 30, 2012.

Cullom

216 Hack Street • Cullom, Illinois 60929

Phone: (815)-689-2174 • Fax: (815) 689-2180

Kankakee

1949 West Court Street • Kankakee, Illinois 60901

Phone: (815) 933-7781 • Fax: (815) 933-2316

Naples

4085 Tamiami Trail North, Suite B103 • Naples, Florida 34103

Phone: (239) 593-8162 • Fax: (239) 331-7440

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2012, on our consideration of the City of Kankakee, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kankakee, Illinois' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Groskreutz, Schmidt, Abraham, Eskleman & Gerretze

Kankakee, Illinois
October 18, 2012



MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2012

The City of Kankakee (the "City") is pleased to present its Management Discussion and Analysis (MD&A) related to the City's financial information for the fiscal year ended April 30, 2012. The MD&A serves as an introduction to the City's basic financial statements, and is designed to: 1) inform the reader about significant financial issues; 2) provide an overview of the City's financial activity; 3) identify changes in the City's financial position (its ability to address subsequent years' challenges); 4) identify any material deviations from the financial plan (the approved budget); and 5) identify individual fund issues or concerns.

The City, in accordance with generally accepted accounting principles, presents its financial statements with two perspectives of its financial position and results of operations. The first perspective, presentation of government-wide statements, provides financial information for the entire governmental unit. The other perspective, presentation of fund statements, provides financial information for individual accounting entities (called funds) established by the City for specific purposes. The focus of the fund statements is on major funds. Both perspectives (government-wide and fund) are designed to address likely user questions, provide a broad basis for comparison (year-to-year or government-to-government), and enhance the City's accountability.

Since this MD&A is designed only as an overview of the current fiscal year's activities, resulting changes, and currently known facts, please read it in conjunction with the City's basic financial statements (beginning on page 14).

GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements provide readers with a broad, long-term view of the City's finances, and further distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements are a consolidation of all of the City's funds with the exclusion of financial information related to the fiduciary funds. The government-wide financial statements are found on pages 14 - 16. The business-type financial statements are found on pages 21 - 25.

The governmental activities of the City include public safety (police, fire, and code enforcement), highways and streets, culture and recreation, economic development, and general administrative services. The business-type activities of the City include environmental services (storm water management and sewer collection and treatment), solid waste (trash) collection services, public works, and parking operations.

The City also includes financial information for two separate legal entities in its report, the City's Public Library and its Special Service Area #1. Although legally separate, these "component units" are important because the City is financially accountable for them. Financial information for these component units is reported separately in this report from the financial information presented for the primary government itself.

STATEMENT OF NET ASSETS

The focus of the Statement of Net Assets is to report the City's governmental and business-type activities in a "bottom-line" manner similar to private-sector business. This statement combines and consolidates all of the governmental funds' current financial resources (short-term spendable resources) with capital assets and long term obligations using the accrual basis of accounting and economic resources measurement focus.

For the City of Kankakee, assets exceeded liabilities for the total primary government by \$35.4 million at April 30, 2012. The following table presents a condensed, comparative Statement of Net Assets:

Table 1: Statement of Net Assets as of April 30, 2012 and 2011 (in millions)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets						
Current and Other Assets	\$ 34.0	\$ 37.4	\$ 9.4	\$ 7.4	\$ 43.4	\$ 44.8
Capital Assets	\$ 86.3	\$ 87.7	\$ 30.0	\$ 29.7	\$ 116.3	\$ 117.4
Total Assets	\$ 120.3	\$ 125.1	\$ 39.4	\$ 37.1	\$ 159.7	\$ 162.2
Liabilities						
Long-term Debt Outstanding	\$ 86.9	\$ 90.6	\$ 13.6	\$ 10.0	\$ 100.5	\$ 100.6
Other Liabilities	\$ 23.1	\$ 24.0	\$ 0.7	\$ 0.5	\$ 23.8	\$ 24.5
Total Liabilities	\$ 110.0	\$ 114.6	\$ 14.3	\$ 10.5	\$ 124.3	\$ 125.1
Net Assets						
Invested in Capital Assets,						
Net of Debt	\$ 42.8	\$ 46.5	\$ 21.8	\$ 24.7	\$ 64.6	\$ 71.2
Restricted	\$ 7.6	\$ 9.6	\$ 2.0	\$ 2.0	\$ 9.6	\$ 11.6
Unrestricted	\$ (40.0)	\$ (45.6)	\$ 1.2	\$ (0.2)	\$ (38.8)	\$ (45.8)
Total Net Assets	\$ 10.3	\$ 10.5	\$ 25.0	\$ 26.5	\$ 35.4	\$ 37.0

(Note: There may be some slight differences in totals due to rounding)

For more detailed information, see the Statement of Net Assets (page 14).

Governmental Activities – Statement of Net Assets highlights

The governmental activities columns present a consolidated view of all of the City's governmental funds. Net assets from governmental activities decreased \$0.5 million (5% to FY'12 balance of \$10.9 million),

total assets decreasing \$5.2 million and total liabilities decreasing \$4.9 million, as a result of the following major shifts in assets and liabilities:

- cash decreased \$2.5 million (22% to FY`12 balance of \$8.7 million) as the City spent down bond proceeds while completing \$3.0 in capital improvements during the year
- depreciable assets decreased \$1.3 million (2%) as a result of the \$1.7 million charge for normal depreciation
- long-term liabilities due in more than one year decreased \$3.6 million (4% to FY`12 balance of \$80.6 million) through normal amortization of existing debt and increases in other long-term liabilities
- accounts payable decreased \$1.4 million as a result of regular City operations

Business-Type Activities – Statement of Net Assets Highlights

The business-type activities columns present financial information for the Environmental Service Utility (ESU, a major fund) and the Motor Vehicle Parking Lot (non-major fund). As the non-major fund represents less than 10% of the total business-type fund balance, only changes to the major fund are highlighted in the following analysis.

Total net assets for the business-type activities decreased \$1.5 million (6% to FY`12 balance of \$25.0 million), with total assets increasing by \$2.3 million (6% to FY`12 balance of \$39.4 million) and total liabilities increasing by \$3.8 million (36% to FY`12 balance of \$14.3 million). The ESU net assets account for \$23.4 million of the total \$25.0 million in total business-type activities. The following major shifts in the utility funds' assets and liabilities included:

- total cash decreased by \$1.4 million (27% to FY`12 balance of \$3.9 million) as ESU continued to finance various capital improvements with earlier issued bond proceeds
- receivables from other governments increased \$3.8 million (1,404% to FY`12 balance of \$4.0 million) as ESU acted as a conduit for a financing note payable for the Kankakee River Metro Agency (KRMA, the waste processing agency for the metro region) to provide interim financing for repairs and improvements to the treatment plant after an accidental explosion at the agency in December 2010 severely damaged the treatment plant
- long-term liabilities increased \$3.5 million (38% to FY`12 balance of \$12.8 million) as ESU acted as a conduit for the KRMA financing mentioned above

Component Units – Statement of Net Assets Highlights

The City includes two separate legal entities in its report, the Kankakee Public Library and the Special Service Area No. 1 (SSA #1). Although legally separate, these "component units" are important because the City is financially accountable for them. One component unit, the Kankakee Public Library, comprises nearly 80% of the total net assets for the combined component units. There were no significant financial changes in the component units this fiscal year.

STATEMENT OF ACTIVITIES

The Statement of Activities presents information that indicates how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The following Statement of Activities table compares the revenues and expenses of the current and most recent fiscal years for the City's governmental and business activities, and the resulting changes in net assets –

Table 2: Statement of Activities for the Fiscal Years Ended April 30, 2012 and 2011 (in millions)

	Governmental			Business-type			Total Primary		
	Activities			Activities			Government Activities		
	2012	2011	Change	2012	2011	Change	2012	2011	Change
Program Revenues									
Charges for Service	\$ 1.9	\$ 2.0	\$ (0.1)	\$ 12.0	\$ 11.1	\$ 0.9	\$ 14.0	\$ 13.1	\$ 0.8
Capital grants/ contributions	0.1	0.2	(0.1)				0.1	0.2	(0.1)
Operating grants/ contributions	3.9	4.7	(0.8)	-	-	-	3.9	4.7	(0.8)
General Revenues									
Property taxes	13.5	14.6	(1.0)				13.5	14.6	(1.0)
Sales taxes (net)	18.2	21.3	(3.1)				18.2	21.3	(3.1)
Utility taxes	3.9	3.6	0.2				3.9	3.6	0.2
Other taxes	3.3	3.3	0.0				3.3	3.3	0.0
Intergovernmental	0.1	0.1	-	0.4	0.7	(0.3)	0.4	0.7	(0.3)
Investment income	0.1	0.1	(0.0)	0.0	0.0	(0.0)	0.1	0.1	(0.0)
Other	1.2	0.7	0.5	0.2	0.2	0.0	1.4	0.9	0.5
Equity interest in joint venture				(0.2)	(0.4)	0.2	(0.2)	(0.4)	0.2
Total Revenues	46.1	50.5	(4.4)	12.4	11.6	0.8	58.6	62.2	(3.6)
Program Expenses									
General government	8.2	8.8	(0.6)				8.2	8.8	(0.6)
Public safety	17.0	16.4	0.6				17.0	16.4	0.6
Highways and streets	3.1	1.2	1.9				3.1	1.2	1.9
Community development	2.2	2.4	(0.2)				2.2	2.4	(0.2)
Culture and recreation	0.2	0.0	0.2				0.2	0.0	0.2
Economic development	12.7	16.4	(3.7)				12.7	16.4	(3.7)
Interest and fiscal charges	2.8	2.9	(0.1)	0.5	0.4	0.0	3.2	3.4	(0.1)
Proprietary fund expenses				13.6	13.1	0.5	13.6	13.1	0.5
Total Expenses	46.2	48.2	(2.0)	14.1	13.5	0.5	60.2	61.8	(1.5)
Changes in Net									
Assets before									
Transfers	(0.0)	2.3	(2.3)	(1.7)	(1.9)	0.2	(1.7)	0.4	(2.1)
Transfers	(0.1)	(0.4)	0.2	0.1	0.4	(0.3)	-	0.0	(0.0)
Total Changes in									
Net Assets	\$ (0.2)	\$ 1.9	\$ (2.1)	\$ (1.5)	\$ (1.5)	\$ (0.0)	\$ (1.7)	\$ 0.4	\$ (2.1)

(Note: There may be some slight differences in totals due to rounding)

Governmental Activities – Statement of Activities Highlights

The City posted a decrease in net assets from governmental activities before transfers of \$0.4 million, a decrease of \$2.4 million from the prior year's increase in net assets of \$2.0 million. The major shifts included: property taxes declined \$1.0 million (7% from prior year's \$14.6 million) as the City closed three TIF funds (TIF#2 Meadowview, TIF#3 Washington Ave., and TIF#4 Eastgate) because the TIFs had expired; sales taxes declined \$3.1 million (15% from prior year amount) as the sluggish national economy continues to affect local retail sales; related sales tax incentive costs (economic development) declined \$3.0 million (20% from prior year amount) as retail sales related to the sales tax sharing program have likewise been affected by the national economic slowdown; and fiscal year improvements to highways and streets increased \$2.2 million as the City continued planned improvements to its infrastructure.

Gross sales tax revenues contribute significantly (52% of current year General Fund revenues) to the City's financial resources, due primarily to a sales tax sharing incentive program that the City implemented in fiscal 2000. With this program, the City returns a substantial portion of the sales tax generated from the program to the program participants as an economic development incentive. Most importantly for the City's finances, net sales tax revenue decreased 2.5% over the prior fiscal year. It is important to note that the City has recently been named in two lawsuits regarding its sales tax incentive agreements. The following table illustrates the change in gross and net sales tax revenue over the past ten fiscal years –

Table 3: Sales taxes and incentives

Fiscal Year	Gross Amount Received	less Incentives Paid	Net Sales Tax	\$ Change	Percent Change
2003	\$ 8,881,076	\$ 5,237,343	\$ 3,643,733	\$ 652,898	21.8%
2004	14,998,857	10,701,236	4,297,621	653,888	17.9%
2005	22,351,192	17,066,791	5,284,401	986,780	23.0%
2006	25,107,826	18,938,693	6,169,133	884,732	16.7%
2007	23,695,013	17,678,395	6,016,618	(152,515)	-2.5%
2008	26,611,558	20,109,951	6,501,607	484,989	8.1%
2009	24,419,114	17,617,181	6,801,933	300,326	4.6%
2010	21,098,621	15,658,977	5,439,644	(1,362,289)	-20.0%
2011	21,276,641	14,799,688	6,476,953	1,037,309	19.1%
2012	18,156,743	11,843,171	6,313,572	(163,381)	-2.5%

The City transferred \$1.2 million to the Environmental Services Utility (ESU) to reimburse for the City related operations of Public Works that ESU assumed. ESU transferred \$0.1 million to the General Fund as a payment-in-lieu of taxes, and \$0.9 million to the Debt Service Fund to amortize its revenue bonds. These and other interfund transfers are listed in Note 12 of the Notes to the Financial Statements.

The following charts graphically illustrate the composition of the City's revenues and expenses from governmental activities –

Chart 1: Composition of revenues from governmental activities

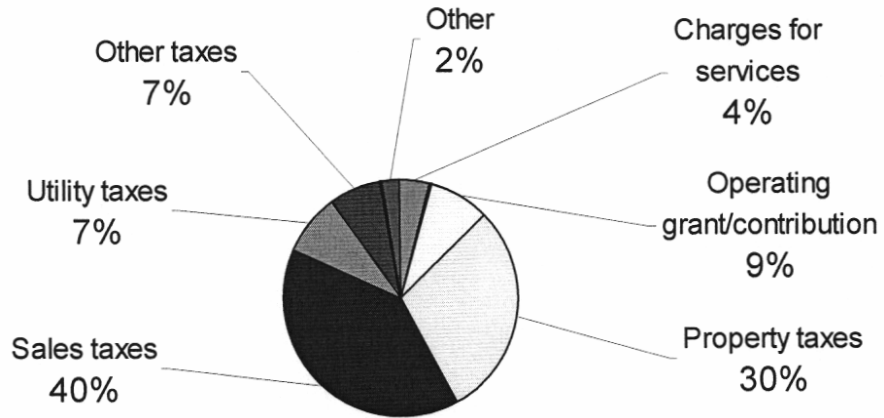
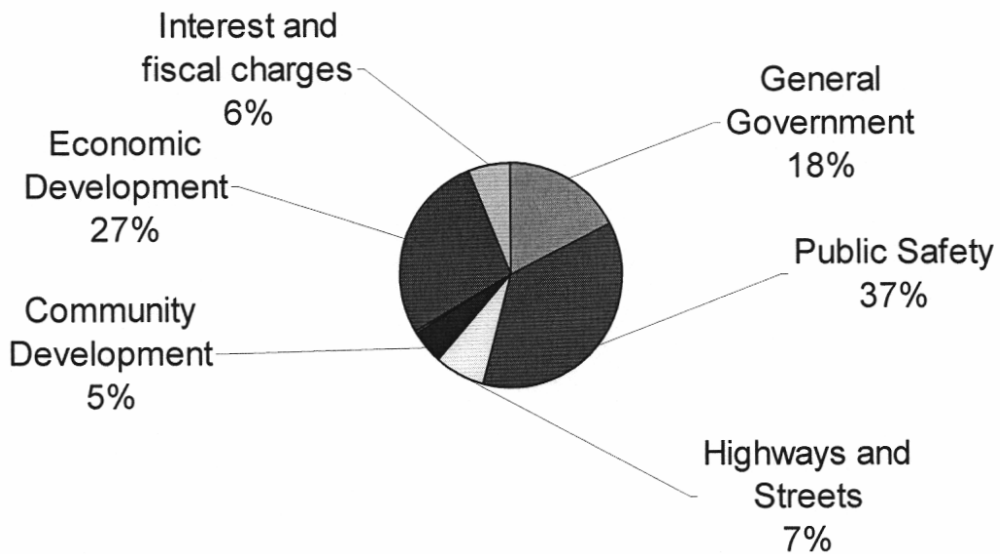


Chart 2: Composition of expenditures from governmental activities



Business-Type Activities – Statement of Activities Highlights

Business-type activities include the Environmental Services Utility (ESU) and the Parking Fund. ESU is responsible for storm water management, sewer collection and treatment, solid waste management, and public works operations. ESU comprises the largest share of the business-type activities.

Normal depreciation expense of \$1.3 million comprised the major portion of the decline of \$1.5 million in business type net assets for the fiscal year. ESU realized an equity interest loss from its equity interest its joint venture with the Kankakee Municipal Regional Agency (KRMA) in the amount of \$0.2 million (52% decrease in the total loss compared to the prior fiscal year amount). KRMA operates the regional sewer treatment plant.

The KRMA treatment plant experienced a major explosion at the plant in late 2010, leading to additional treatment costs (\$1.1 million (25%) increase in costs to ESU over the prior fiscal year) because the treatment plant was not fully functional. ESU increased its sewer service rate at the beginning of FY'12, which provided funds to offset the increased costs that resulted from the KRMA treatment plant incident.

ESU transferred \$0.9 million to the Debt Service Fund for normal amortization of its revenue bonds, and \$0.1 million to the General Fund as payment-in-lieu-of-taxes. ESU received \$1.2 million from the General Fund as reimbursement for public works services that were non-sewer and solid waste service related.

Component Unit Activities – Statement of Activities Highlights

The component units, the Library and the Special Service Area #1 (Downtown), saw no significant change in net assets from the previous year.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The focus of governmental funds financial statements is on near-term financial resource inflows and outflows (sources and uses), on balances of the City's financial resources available at the end of the fiscal year, and on the City's budgeting compliance associated with the financial sources and uses. The financial statements for the governmental funds are presented for a second time, but in a different format. This second presentation of the financial statements by funds provides a comparison of the fund statements to the government-wide financial statements so a reader may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheets and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation (pages 17 and 19) to facilitate comparisons between the amounts reported in governmental funds to the amounts reported as governmental activities.

The proprietary funds are accounted for as business-type activities. Those financial statements do not change (and therefore, are not redisplayed) as fund financial statements. The financial statements for the City's two fiduciary funds are combined in the initial presentation, and are displayed separately in the Combining and Individual Fund Financial Statements and Supplemental Schedules section (see pages

105-106). The fiduciary funds financial statements do not change (and therefore, are not redisplayed as fund financial statements).

The City reported on 30 individual governmental funds during fiscal 2012, and two additional governmental funds were reported on as component units. Information for the City's major governmental funds (General Fund and Capital Projects Fund) is presented separately in the Governmental Fund Balance Sheet (page 17) and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (page 19). Financial information for the other 28 governmental funds is combined into a single, aggregated presentation in the form of combining statements in the Combining and Individual Fund Financial Statements and Supplemental Schedules section (beginning on page 86) of this report.

Financial Analysis of the City's Governmental Funds

For the fiscal year ended April 30, 2012, the Governmental Funds reflect a combined fund balance of \$9.9 million, a decrease of \$2.1 million (17%) from the prior fiscal year. Major changes within the individual funds are analyzed below. Of the total fund balance for all governmental funds, \$1.2 million (13%) is unassigned, indicating availability for continuing City services. Nonspendable and restricted fund balances include amounts for prepaid items, inventories, debt service, unexpended street maintenance programs, culture and recreation, economic development, retirement obligations, and capital projects.

Analysis of Balances and Transactions of Individual Funds

The fund balance of the General Fund increased insignificantly as the City continues to prudently manage its resources in light of the national economic challenges. The Capital Projects Fund declined \$3.0 million (37% to FY'12 balance of \$5.0 million) as the City continued to finance various capital acquisitions and infrastructure improvements as planned from bond proceeds of an earlier financing.

General Fund Budgetary Highlights

The City adopts an annual appropriated budget for the General, Band, IMRF, Special Service Area No. 2, Special Service Area No. 3, and Special Service Area No. 5 funds (the City closed the Park Fund during FY'12 as the fund was no longer needed). The procedures used to control expenditures of the other governmental funds are explained further in Note 1, Budgetary Accounting on page 78. As noted above, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. A table presenting budgetary highlights for the City's General Fund is provided below.

The General Fund revenue and expenditure budgets were not amended during the fiscal year. As noted in the analysis of the General Fund in the above section, the economic slowdown again affected the City's sales tax revenues. Fortunately, the sales tax incentives had an offsetting effect with the corresponding decline in the sales tax incentives paid. The FY'12 sales tax incentive was \$3.0 million less than in FY'11.

Because of the City administration's awareness of the national economic conditions, early in fiscal 2012 it reorganized its operations, laid-off 13 employees and realized additional personnel reductions through attrition, allowing the City to adopt a break-even budget for fiscal 2012. As a result of the reorganization and other adjustments, the City was able to adopt a fiscal 2013 budget that includes a \$0.25 million

surplus. This puts the City back on track to build its General Fund reserve balance to a more prudent amount to provide for economic contingencies.

A summary comparison of the General Fund budget to actual results can be found on page 77, and a more detailed comparison can be found on pages 86 – 88. Interfund transfers are detailed in Footnote 12.

Sales tax revenues declined significantly from budget and from the prior fiscal year amounts, as did the corresponding sales tax incentive costs. Overall, net sales tax revenue for the year was about the same as the prior fiscal year. Police Department expenditures were greater than budget because neither the revenues nor the expenditures for the police services provided to and reimbursed by the Metro bus system are included in the annual budget. These amounts vary considerably depending upon use, and result in expenditures being offset by the corresponding reimbursements.

Similarly, the City was awarded a federal flow-through grant for the Kankakee Area Metro Enforcement Group after the budget was adopted, so neither the revenues nor corresponding expenditures charged to the Police Department were included in the budget. City administration did not feel it was necessary to amend the original budget for these items. Other individual budget variances for the most part offset one another, and were not further analyzed in this MD&A.

Table 4: General Fund Budgetary Highlights

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Over/(Under)</u> <u>Final Budget</u>
Revenues	\$ 38,289,618	\$ 38,289,618	\$ 34,875,552	\$ (3,414,066)
Expenditures	<u>37,409,132</u>	<u>37,409,132</u>	<u>33,797,311</u>	<u>(3,611,821)</u>
Excess of Revenues over Expenditures	<u>\$ 880,486</u>	<u>\$ 880,486</u>	<u>\$ 1,078,241</u>	<u>\$ 197,755</u>
Other Financing Sources (Uses)				
Transfers from other funds	\$ 320,000	\$ 320,000	\$ 141,429	\$ (178,571)
Transfers to other funds	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>-</u>
Net Changes in Fund Balance	<u>\$ 486</u>	<u>\$ 486</u>	<u>\$ 19,670</u>	<u>\$ 19,184</u>

CAPITAL ASSETS

The City's investment in capital assets includes land, construction in progress, buildings and improvements, land improvements, equipment, vehicles, leasehold improvements, and infrastructure (roads, sidewalks, curbs, gutters, and bridges). The City's total combined investment in capital assets for fiscal 2012 decreased slightly to \$116.3 million (net of accumulated depreciation).

The following table summarizes the City of Kankakee capital assets (in millions, net of depreciation) for the current and prior fiscal years –

Table 5: Capital Asset Highlights (net of depreciation) for the fiscal years ended April 30, 2012 and 2011 (in millions)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 5.3	\$ 5.3	\$ 2.1	\$ 2.1	\$ 7.4	\$ 7.4
Construction in progress	0.9	1.1	1.0	0.5	1.9	1.6
Buildings	12.9	12.9	6.3	6.5	19.2	19.4
Equipment	0.2	0.3	0.9	0.9	1.1	1.2
Vehicles	1.8	1.9	1.1	1.0	2.9	2.9
Land improvements	2.3	2.5	-	-	2.3	2.5
Leasehold improvements	-	-	0.2	0.2	0.2	0.2
Infrastructure	<u>62.9</u>	<u>63.7</u>	<u>18.4</u>	<u>18.5</u>	<u>81.3</u>	<u>82.2</u>
Total Capital Assets, net	\$ 86.3	\$ 87.7	\$ 30.0	\$ 29.7	\$ 116.3	\$ 117.4

Additional information on the City's capital assets can be found in Note 5 on pages 53 – 56.

LONG-TERM DEBT

At fiscal year end, the City Governmental Activities had an overall decrease of \$3.8 million (4%) in debt as the City amortized \$4.6 million in GO bonds and employee related costs (employer pension contributions and compensated absences) increased \$0.9 million. ESU has an overall increase of \$3.6 million (36% increase) as the utility acted as a conduit for the KRMA \$4.0 million note payable discussed previously in this report. The following table further summarizes the City's debt for the current and prior fiscal years—

Table 6: Debt Highlights for the fiscal years ended April 30, 2012 and 2011 (in millions, as adjusted for premiums and deferred losses)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 65.5	\$ 70.1			\$ 65.5	\$ 70.1
Revenue Bonds			\$ 8.6	\$ 9.1	8.6	9.1
Installment notes	2.6	2.9	4.0		6.6	2.9
Unfunded employer pension contributions	13.5	13.0			13.5	13.0
Compensated absences	4.7	4.5	0.9	0.9	5.6	5.4
Net other post employment benefit obligations	<u>0.4</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>	<u>0.5</u>	<u>0.3</u>
Total Debt	\$ 86.7	\$ 90.7	\$ 13.6	\$ 10.1	\$ 100.3	\$ 100.8

Additional information related to the City's long-term debt can be found in Note 10.

The City, under its home rule authority, does not have a legal debt limit. The City had not had an underlying public rating for several years, but achieved a Standard and Poors rating of A beginning in 2006. The City continued to receive an A rating from Standard and Poors on the bonds issued this fiscal year. The City anticipates issuing additional bonds in the near future.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City continued to face the reality of the national economic slowdown as it started to develop its General Fund budget for fiscal 2013, and used a combination of attrition and the lay off of 13 employees as the primary steps to balance the FY '12 budget. The City faces on-going contractual wage increases, increases in employer contributions for pensions, and increases in other operating costs for the foreseeable future in this new era of what appears to be continued municipal revenue shrinkage.

ESU increased its rates for sewer services beginning May 1, 2012 by 7% to a rate of \$4.00/100 cubic feet of water used, and again on May 1, 2013 by 10% to a rate of \$4.40/100 cubic feet of water used. The sewer rate increases will help offset some of the cost increases that ESU has realized as the regional sewer treatment facility passes on its increased costs of operations. The Solid Waste Utility maintained a monthly rate of \$29.50 for residential waste collection that was established September 2011.

The solid waste collection fee increases have been beneficial in offsetting some of the General Fund costs the City incurred in collecting and disposing of solid waste. These rate increases facilitated the transfer of responsibility for the Public Works Department to the utilities. The General Fund had absorbed most of the costs incurred to provide solid waste disposal services over the years, but given current economic conditions, determined that it could no longer maintain that practice.

The unemployment rate (not seasonally adjusted) for the City and the County for June 2012 was 14.5% and 11.2% respectively compared to the 15.0% and 12.2% rate for 2011. The local economy continues to reflect the national economic conditions. The City continues to monitor its General Fund finances on a monthly basis to determine when it might need to implement additional strategies to respond to the challenges created by the realities of the national economic slowdown.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our Mayor, legislators, managers, citizens, customers, investors, and creditors with a general overview of the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to James A. Spice, Comptroller, City of Kankakee, 304 South Indiana Avenue, Kankakee, Illinois 60901.

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BASIC FINANCIAL STATEMENTS

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and investments	\$ 8,681,821	\$ 1,092,690	\$ 9,774,511	\$ 818,361
Restricted cash and investments		2,819,318	2,819,318	
Receivables, less allowance for uncollectible amounts:				
Property taxes	14,215,390		14,215,390	1,819,770
Utility taxes	468,701		468,701	
Due from joint ventures		4,000,000	4,000,000	
Due from other governmental agencies	6,001,707	30,369	6,032,076	
Internal balances	70,335	(70,335)	-0-	
Due from primary government				17,536
Due from component units	72,951		72,951	
Accounts receivable	738,779	1,544,697	2,283,476	
Special assessments	2,016,500		2,016,500	
Materials inventory	2,859	41,541	44,400	
Prepaid items	410,593	156,748	567,341	
Capital assets:				
Non-depreciable	6,207,755	3,048,849	9,256,604	
Depreciable (net of accumulated depreciation)	80,065,137	26,937,325	107,002,462	7,503,989
Unamortized bond issuance cost	1,301,883	239,820	1,541,703	
Investment in joint venture		(473,288)	(473,288)	
Total assets	120,254,411	39,367,734	159,622,145	10,159,656
Liabilities				
Accounts payable	5,097,220	558,244	5,655,464	39,858
Accrued wages payable	533,599	146,761	680,360	
Interest payable	877,700		877,700	
Due to primary government				72,951
Due to component units	17,536		17,536	
Due to other government agencies	1,290		1,290	
Unearned revenue	14,546,630		14,546,630	1,821,030
Deferred special assessments	2,016,500		2,016,500	
Long-term liabilities:				
Due within one year	6,237,697	841,000	7,078,697	114,666
Due within more than one year	80,622,630	12,776,403	93,399,033	2,728,396
Total liabilities	109,950,802	14,322,408	124,273,210	4,776,901
Net Assets				
Invested in capital assets, net of related debt	42,729,716	21,805,457	64,535,173	4,660,927
Restricted for:				
Capital projects	5,009,123		5,009,123	
Debt service	425,560	2,037,173	2,462,733	
Economic development	886,689		886,689	
Street maintenance programs	1,258,897		1,258,897	
Unrestricted	(40,006,376)	1,202,696	(38,803,680)	721,828
Total net assets	\$ 10,303,609	\$25,045,326	\$ 35,348,935	\$ 5,382,755

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF ACTIVITIES
For the year ended April 30, 2012

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
<u>Governmental Activities</u>				
General government	\$ 8,160,955	\$ 1,298,678		
Public safety	16,995,388	539,082	\$ 758,651	\$ 53,615
Highways and streets	3,056,562		799,031	47,032
Community development	2,241,302	100,000	2,358,939	
Culture and recreation	227,382			
Economic development	12,675,039			
Interest and fiscal charges	2,788,165			
Total governmental activities	<u>46,144,793</u>	<u>1,937,760</u>	<u>3,916,621</u>	<u>100,647</u>
<u>Business-Type Activities</u>				
Sewer utility	9,566,350	9,504,962		
Solid waste utility	4,742,916	3,064,401		
Vehicle parking	30	15,083		
Total business-type activities	<u>14,309,296</u>	<u>12,584,446</u>	<u>-0-</u>	<u>-0-</u>
Total primary government	<u>\$ 60,454,089</u>	<u>\$ 14,522,206</u>	<u>\$ 3,916,621</u>	<u>\$ 100,647</u>
Component units:				
Library	\$ 1,817,234	\$ 100,611	\$ 16,740	
Special Service Area No. 1	163,002			
Total component units	<u>\$ 1,980,236</u>	<u>\$ 100,611</u>	<u>\$ 16,740</u>	<u>\$ -0-</u>

General Revenues:

- Property taxes levied for general purposes
- Special assessments
- State income tax
- Local use tax
- State replacement income tax
- Illinois sales tax
- Utility taxes
- Intergovernmental, not restricted to specific programs
- Investment income
- Other

Contributions from primary government

- Total
- Transfers
- Changes in net assets
- Net assets, May 1, 2011
- Prior period adjustment
- Net assets, May 1, 2011, restated
- Net assets, April 30, 2012

Net (Expense) Revenue and Change in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (6,862,277)		\$ (6,862,277)	
(15,644,040)		(15,644,040)	
(2,210,499)		(2,210,499)	
217,637		217,637	
(227,382)		(227,382)	
(12,675,039)		(12,675,039)	
(2,788,165)		(2,788,165)	
<u>(40,189,765)</u>		<u>(40,189,765)</u>	
	\$ (61,388)	(61,388)	
	(1,678,515)	(1,678,515)	
	15,053	15,053	
<u>-0-</u>	<u>(1,724,850)</u>	<u>(1,724,850)</u>	
<u>(40,189,765)</u>	<u>(1,724,850)</u>	<u>(41,914,615)</u>	
			\$ (1,699,883)
			<u>(163,002)</u>
			<u>(1,862,885)</u>
13,539,999		13,539,999	1,810,999
291,000		291,000	
2,242,843		2,242,843	
423,094		423,094	
644,096		644,096	
18,156,743		18,156,743	
3,856,223		3,856,223	
50,000		50,000	
106,914	364	107,278	3,163
880,603	73,690	954,293	88,260
			212,382
<u>40,191,515</u>	<u>74,054</u>	<u>40,265,569</u>	<u>2,114,804</u>
<u>(139,797)</u>	<u>139,797</u>	<u>-0-</u>	<u>-0-</u>
<u>(138,047)</u>	<u>(1,510,999)</u>	<u>(1,649,046)</u>	<u>251,919</u>
10,619,917	26,556,325	37,176,242	5,130,836
<u>(178,261)</u>		<u>(178,261)</u>	
<u>10,441,656</u>	<u>26,556,325</u>	<u>36,997,981</u>	<u>5,130,836</u>
<u>\$ 10,303,609</u>	<u>\$ 25,045,326</u>	<u>\$ 35,348,935</u>	<u>\$ 5,382,755</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2012

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 455,481	\$ 4,913,352	\$ 3,312,988	\$ 8,681,821
Receivables, less allowance for uncollectible amounts:				
Property taxes	6,288,543		7,926,847	14,215,390
Utility taxes	468,701			468,701
Due from other governmental agencies	5,508,486		493,221	6,001,707
Due from other funds	453,629	150,508	175,888	780,025
Due from component units	63,519		9,432	72,951
Accounts receivable	200,115		538,664	738,779
Special assessments		2,016,500		2,016,500
Materials inventory	2,859			2,859
Prepaid items	410,593			410,593
Total assets	\$ 13,851,926	\$ 7,080,360	\$ 12,457,040	\$ 33,389,326
Liabilities				
Accounts payable	\$ 4,873,665	\$ 48,909	\$ 174,646	\$ 5,097,220
Accrued wages payable	502,847		30,752	533,599
Due to other governmental agencies	1,290			1,290
Due to other funds	27,289	5,828	676,573	709,690
Due to component units			17,536	17,536
Deferred revenue	6,641,136		8,464,708	15,105,844
Deferred special assessments		2,016,500		2,016,500
Total liabilities	12,046,227	2,071,237	9,364,215	23,481,679
Fund Balance				
Nonspendable	413,452			413,452
Restricted for:				
Debt service			425,560	425,560
Street maintenance programs			1,258,897	1,258,897
Economic development			886,689	886,689
Culture and recreation			17,991	17,991
Retirement obligations			406,012	406,012
Community development			244,228	244,228
Capital projects		5,009,123		5,009,123
Unassigned (deficit)	1,392,247		(146,552)	1,245,695
Total fund balance	1,805,699	5,009,123	3,092,825	9,907,647
Total liabilities and fund balance	\$ 13,851,926	\$ 7,080,360	\$ 12,457,040	\$ 33,389,326

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
April 30, 2012

Amounts reported for governmental activities in the
statement of net assets are different because of the following:

Total fund balance - governmental funds		\$ 9,907,647
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		86,272,892
Unamortized bond issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		1,301,883
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. All liabilities--both current and long-term--are reported in the statement of net assets.		
Bonds payable	\$ (65,538,146)	
Installment notes	(2,591,617)	
Unfunded employer pension contributions	(13,528,565)	
Compensated absences	(4,840,000)	
Net other post-employment benefit obligations	<u>(361,999)</u>	
Total long-term liabilities (See Note 10)		(86,860,327)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
Interest payable		(877,700)
Certain long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
Loan receivable	537,861	
Franchise fee receivable	<u>21,353</u>	
		<u>559,214</u>
Net assets of governmental activities		<u>\$ 10,303,609</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the year ended April 30, 2012

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 5,946,020		\$ 7,593,979	\$ 13,539,999
Special assessments			291,000	291,000
State income tax	2,242,843			2,242,843
Local use tax	401,741			401,741
State replacement income tax	644,096			644,096
Illinois sales tax	18,156,743			18,156,743
Utility taxes	3,856,223			3,856,223
Licenses, permits and fees	1,368,735			1,368,735
Charges for services	199,573			199,573
Fines and penalties	369,452			369,452
Intergovernmental	806,651	\$ 53,616	3,205,001	4,065,268
Interest income	1,232	3,507	102,175	106,914
Miscellaneous	882,243		359	882,602
Total revenues	<u>34,875,552</u>	<u>57,123</u>	<u>11,192,514</u>	<u>46,125,189</u>
Expenditures:				
Current:				
General government	5,288,153	812,067	664,910	6,765,130
Public safety	16,654,352	206,746		16,861,098
Highways and streets		1,779,846	382,596	2,162,442
Community development			2,206,635	2,206,635
Culture and recreation		212,382	15,000	227,382
Economic development	11,844,806		531,830	12,376,636
Debt service:				
Principal retirement	10,000		4,817,983	4,827,983
Interest and fiscal charges		93	2,929,156	2,929,249
Total expenditures	<u>33,797,311</u>	<u>3,011,134</u>	<u>11,548,110</u>	<u>48,356,555</u>
Excess (deficiency) of revenues over expenditures	<u>1,078,241</u>	<u>(2,954,011)</u>	<u>(355,596)</u>	<u>(2,231,366)</u>
Other financing sources (uses):				
Issuance of refunding bonds			4,680,000	4,680,000
Premium on issuance of refunding bonds			110,185	110,185
Payment to refunded debt escrow			(4,712,384)	(4,712,384)
Transfers from other funds	141,429		2,729,753	2,871,182
Transfers to other funds	(1,200,000)		(1,810,979)	(3,010,979)
Total other financing sources (uses)	<u>(1,058,571)</u>	<u>-0-</u>	<u>996,575</u>	<u>(61,996)</u>
Net change in fund balance	<u>19,670</u>	<u>(2,954,011)</u>	<u>640,979</u>	<u>(2,293,362)</u>
Fund balance, May 1, 2011	1,560,447	7,963,134	2,451,846	11,975,427
Prior period adjustment	225,582			225,582
Fund balance, May 1, 2011, restated	<u>1,786,029</u>	<u>7,963,134</u>	<u>2,451,846</u>	<u>12,201,009</u>
Fund balance, April 30, 2012	<u>\$ 1,805,699</u>	<u>\$ 5,009,123</u>	<u>\$ 3,092,825</u>	<u>\$ 9,907,647</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the year ended April 30, 2012

Amounts reported for governmental activities on the statement of activities are different because of the following:

Net change in fund balance - total governmental funds \$ (2,293,362)

Governmental funds report capital outlays as expenditures. However, on the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. Proceeds from disposal of capital assets are reported as other financing sources in the governmental funds, but as a reduction of capital assets and recognition of gains and losses at the government-wide level.

Expenditure for capital assets	351,105
Loss on disposal of capital assets	(6,296)
Depreciation	(1,736,566)

Repayments of principal from current financial resources is an expenditure in the governmental funds, but are a reduction of long-term liabilities on the statement of net assets.

Principal payments on bonds payable	4,535,000
Principal payments on long-term notes payable	292,983
Payment to refunding debt escrow from bond proceeds	4,712,383

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortized bond issue cost	(140,807)
Amortized bond premium	232,496
Amortized deferred loss	(137,023)
Change in accrued interest on long-term debts	74,101
Net change in compensated absences payable	(361,500)
Unfunded pension cost	(538,633)
Change in net other post-employment benefit obligations payable	(166,676)
Long-term loans receivable written off	(298,403)

Proceeds from issuance of long-term debt obligations are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net assets. Premiums related to these long-term debt obligations also are reported as other financing sources in the governmental funds, but they increase liabilities on the statement of net assets. Bond issuance costs are reported as expenditures by the governmental funds, but they are assets on the statement of activities.

Proceeds from refunding bonds issued	(4,680,000)
Premium on issuance of bonds	(110,185)

Bond issue costs are expenditures in the governmental funds, but the issuance cost increases the assets on the statement of net assets.

112,317

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Franchise fee - long term receivable	21,353
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Collections on long-term loans receivable are reported as revenues in the governmental funds, but reduce the assets in the statement of net assets.

(334)

Change in net assets of governmental activities

\$ (138,047)

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
April 30, 2012

	Enterprise Funds		
	Kankakee	Nonmajor	Total
	Environmental Services Utility	Motor Vehicle Parking	
Assets			
Current assets:			
Cash and investments	\$ 968,012	\$ 124,678	\$ 1,092,690
Restricted cash and investments	782,145		782,145
Receivables, less allowance for uncollectible amounts:			
Due from joint venture	4,000,000		4,000,000
Due from other funds	222,039		222,039
Due from other governments	30,369		30,369
Accounts receivable	1,544,697		1,544,697
Inventory	41,541		41,541
Prepaid items	156,748		156,748
Total current assets	<u>7,745,551</u>	<u>124,678</u>	<u>7,870,229</u>
Non-current assets:			
Restricted cash and investments	2,037,173		2,037,173
Capital assets:			
Non-depreciable	1,605,041	1,443,808	3,048,849
Depreciable (net of accumulated depreciation)	26,937,325		26,937,325
Unamortized bond issuance cost	239,820		239,820
Investment in joint venture	(473,288)		(473,288)
Total non-current assets	<u>30,346,071</u>	<u>1,443,808</u>	<u>31,789,879</u>
Total assets	<u>38,091,622</u>	<u>1,568,486</u>	<u>39,660,108</u>
Liabilities			
Current liabilities:			
Accounts payable	558,244		558,244
Accrued wages payable	146,761		146,761
Due to other funds	292,374		292,374
Accrued employee absences	391,000		391,000
Revenue bonds payable within one year	450,000		450,000
Total current liabilities	<u>1,838,379</u>	<u>-0-</u>	<u>1,838,379</u>
Non-current liabilities:			
Accrued employee absences	460,500		460,500
Net other post-employment benefit obligations	135,186		135,186
Note payable	4,000,000		4,000,000
Revenue bonds payable, less portion due within one year	8,180,717		8,180,717
Total non-current liabilities	<u>12,776,403</u>	<u>-0-</u>	<u>12,776,403</u>
Total liabilities	<u>14,614,782</u>	<u>-0-</u>	<u>14,614,782</u>
Net Assets			
Invested in capital assets, net of related debt	20,361,649	1,443,808	21,805,457
Restricted for debt service	2,037,173		2,037,173
Unrestricted	1,078,018	124,678	1,202,696
Total net assets	<u>\$ 23,476,840</u>	<u>\$ 1,568,486</u>	<u>\$ 25,045,326</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the year ended April 30, 2012

	Enterprise Funds		
	Kankakee	Nonmajor	
	Environmental	Motor Vehicle	
	Services	Parking	
	Utility		Total
Operating revenues:			
Charges for services:			
Sewer charges	\$ 9,426,813		\$ 9,426,813
Solid waste charges	2,576,934		2,576,934
Public works revenue	355,602		355,602
Fuel system maintenance revenue	18,363		18,363
Intergovernmental	116,369		116,369
Parking revenues		\$ 15,083	15,083
Miscellaneous charges	75,282		75,282
Total operating revenues	12,569,363	15,083	12,584,446
Operating expenses:			
Utility operations:			
Sewer utility:			
Administration	1,648,657		1,648,657
Sanitary sewers	583,588		583,588
Lab and industrial services	461,192		461,192
Technical services	618,920		618,920
Total sewer utility	3,312,357	-0-	3,312,357
Solid waste utility:			
Administration	158,948		158,948
Solid waste	3,069,305		3,069,305
Public works	1,293,451		1,293,451
Total solid waste utility	4,521,704	-0-	4,521,704
Total utility operations	7,834,061	-0-	7,834,061
Building maintenance	217,928		217,928
Treatment charges	4,265,071		4,265,071
Parking administration		30	30
Depreciation	1,287,837		1,287,837
Total operating expenses	13,604,897	30	13,604,927
Operating income (loss)	(1,035,534)	15,053	(1,020,481)

(Continued)

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
(Continued)
For the year ended April 30, 2012

	Enterprise Funds		
	Kankakee Environmental Services Utility	Nonmajor Motor Vehicle Parking	Total
Nonoperating revenues (expenses):			
Equity interest in joint venture operating income	\$ (177,986)		\$ (177,986)
Interest income	327	\$ 37	364
Gain (loss) on disposal of capital assets	(73,311)		(73,311)
Bond interest rebates	73,690		73,690
Interest and debt-related expenses	(453,072)		(453,072)
Total nonoperating revenues (expenses)	(630,352)	37	(630,315)
Income (loss) before transfers	(1,665,886)	15,090	(1,650,796)
Transfers in	1,200,000		1,200,000
Transfers out	(1,060,203)		(1,060,203)
Change in net assets	(1,526,089)	15,090	(1,510,999)
Net assets, May 1, 2011	25,002,929	1,553,396	26,556,325
Net assets, April 30, 2012	\$ 23,476,840	\$ 1,568,486	\$ 25,045,326

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended April 30, 2012

	Enterprise Funds		
	Kankakee Environmental Services Utility	Nonmajor Motor Vehicle Parking	Total
Cash flows provided (used) by operating activities:			
Receipts from customers and users	\$ 12,930,098	\$ 15,083	\$ 12,945,181
Receipts from other funds	12,479		12,479
Payments to other funds	(194,313)		(194,313)
Payments to suppliers	(8,788,618)	(30)	(8,788,648)
Payments to employees	(3,145,609)		(3,145,609)
Net cash provided (used) by operating activities	814,037	15,053	829,090
Cash flows provided (used) by noncapital financing activities:			
Issuance of notes payable	4,000,000		4,000,000
Noncapital transfers to other funds	(1,060,203)		(1,060,203)
Noncapital transfers from other funds	1,200,000		1,200,000
Net cash provided (used) by noncapital financing activities	4,139,797	-0-	4,139,797
Cash flows provided (used) by capital and related financing activities:			
Purchase of property and equipment	(978,919)		(978,919)
Proceeds from disposal of capital assets	8,335		8,335
Additions to construction in progress	(634,156)		(634,156)
Repayment of revenue bonds	(440,000)		(440,000)
Interest paid on revenue bonds	(350,823)		(350,823)
Net cash provided by capital and related financing activities	(2,395,563)	-0-	(2,395,563)
Cash flows provided (used) by investing activities:			
Loan to joint venture	(4,000,000)		(4,000,000)
Interest received	327	37	364
Net cash provided (used) by investing activities:	(3,999,673)	37	(3,999,636)
Net change in cash and cash equivalents	(1,441,402)	15,090	(1,426,312)
Cash and cash equivalents, May 1, 2011	5,228,732	109,588	5,338,320
Cash and cash equivalents, April 30, 2012	<u>\$ 3,787,330</u>	<u>\$ 124,678</u>	<u>\$ 3,912,008</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Continued)
For the year ended April 30, 2012

	Enterprise Funds		
	Kankakee Environmental Services Utility	Nonmajor Motor Vehicle Parking	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,035,534)	\$ 15,053	\$ (1,020,481)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,287,837		1,287,837
Provision for bad debts	59,767		59,767
(Increase) decrease in operating assets:			
Accounts receivable	107,369		107,369
Due from other funds	223,968		223,968
Due from other governmental agencies	(30,369)		(30,369)
Inventory	(2,893)		(2,893)
Due from (to) other joint venture	441,037		441,037
Prepaid insurance and service fees	(74,049)		(74,049)
Increase (decrease) in operating liabilities:			
Accounts payable	76,442		76,442
Health insurance payable	(5,521)		(5,521)
Accrued compensated absences	(29,300)		(29,300)
Accrued payroll	(42,860)		(42,860)
Accrued interest	(35,582)		(35,582)
Due to other funds	(181,834)		(181,834)
Net other post-employment benefit obligations	55,559		55,559
Net cash provided by operating activities	<u>\$ 814,037</u>	<u>\$ 15,053</u>	<u>\$ 829,090</u>
Noncash transactions related to financing, capital and investing activities:			
Amortization of bond issuance costs	<u>\$ 19,381</u>	<u>\$ -0-</u>	<u>\$ 19,381</u>
Amortization of early debt retirement deferred loss	<u>\$ 8,217</u>	<u>\$ -0-</u>	<u>\$ 8,217</u>
Construction projects capitalized	<u>\$ 212,757</u>	<u>\$ -0-</u>	<u>\$ 212,757</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
April 30, 2012

Assets

Cash and short-term investments	\$ 1,832,828
Receivables, less allowance for uncollectible amounts:	
Employee contributions	35,450
Employer contributions	83,038
Interest	82,060
Investments, at fair value:	
Open-end mutual funds	7,703,052
Corporate securities	2,806,252
U.S. treasury and agency securities	7,410,004
Corporate bonds	3,095,086
State and local obligations	382,064
Prepaid items	10,284
 Total assets	 <u>23,440,118</u>

Liabilities

Benefits and other payables	<u>400,564</u>
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Net Assets

Net assets held in trust for pension benefits	<u><u>\$23,039,554</u></u>
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See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the year ended April 30, 2012

Additions:

Contributions:

Employer	\$ 4,085,908
Employee	844,068

Total contributions	<u>4,929,976</u>
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Investment income (loss):

Net change in fair value of investments	(106,226)
Interest and dividends	<u>612,987</u>

506,761

Less: investment expense	<u>(149,143)</u>
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Net investment income	<u>357,618</u>
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Total additions	<u>5,287,594</u>
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Deductions:

Benefits	4,554,171
Refunds of contributions	8,258
Administrative expenses	65,334

Total deductions	<u>4,627,763</u>
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Change in net assets held in trust for pension benefits	659,831
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Net assets held in trust for pension benefits:

May 1, 2011	<u>22,379,723</u>
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April 30, 2012	<u><u>\$ 23,039,554</u></u>
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See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
April 30, 2012

	Library Fund	Special Service Area No. 1	Totals
Assets			
Cash and investments	\$ 567,649	\$ 250,712	\$ 818,361
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,691,870	127,900	1,819,770
Due from primary government		17,536	17,536
Capital assets:			
Depreciable (net of accumulated depreciation)	6,628,917	875,072	7,503,989
Total assets	<u>8,888,436</u>	<u>1,271,220</u>	<u>10,159,656</u>
Liabilities			
Accounts payable	30,756	9,102	39,858
Due to primary government	72,951		72,951
Unearned revenue	1,693,130	127,900	1,821,030
Long-term liabilities:			
Due within one year	114,666		114,666
Due within more than one year	2,728,396		2,728,396
Total liabilities	<u>4,639,899</u>	<u>137,002</u>	<u>4,776,901</u>
Net Assets			
Invested in capital assets, net of related debt	3,785,855	875,072	4,660,927
Unrestricted	462,682	259,146	721,828
Total net assets	<u>\$ 4,248,537</u>	<u>\$ 1,134,218</u>	<u>\$ 5,382,755</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the year ended April 30, 2012

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>
Library Fund:			
Culture and recreation	\$ 1,672,104	\$ 100,611	\$ 16,740
Interest and fiscal charges	145,130		
Special Service Area No. 1:			
General government	163,002		
Total	<u>\$ 1,980,236</u>	<u>\$ 100,611</u>	<u>\$ 16,740</u>

General Revenues:

Property taxes levied for general purposes
Interest
Other
Contributions from primary government

Total

Changes in net assets

Net assets, May 1, 2011

Net assets, April 30, 2012

Net (Expense) Revenue and
Change in Net Assets

<u>Library Fund</u>	<u>Special Service Area No. 1</u>	<u>Total</u>
\$ (1,554,753)		\$ (1,554,753)
(145,130)		(145,130)
	\$ (163,002)	(163,002)
<u>(1,699,883)</u>	<u>(163,002)</u>	<u>(1,862,885)</u>
1,682,741	128,258	1,810,999
2,763	400	3,163
76,335	11,925	88,260
212,382		212,382
<u>1,974,221</u>	<u>140,583</u>	<u>2,114,804</u>
274,338	(22,419)	251,919
3,974,199	1,156,637	5,130,836
<u>\$ 4,248,537</u>	<u>\$ 1,134,218</u>	<u>\$ 5,382,755</u>

See accompanying notes.

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CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Kankakee, Illinois (City), is a home rule unit under the 1970 Constitution of Illinois, Article VII. The City was incorporated in 1865 and operates under an elected Mayor/Council form of government. The City Council is comprised of the Mayor and fourteen council members. The City's major operations include public safety (police, fire, code enforcement and animal control), public works, highways and streets, community development, culture and recreation, economic development, sewer and solid waste utility, and general administrative services. The following significant accounting policies apply to the City and its component units.

A. Reporting Entity

The City follows accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB). The financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1. Appointment of a voting majority of the component unit's board, and either (a) the ability to impose its will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
2. Fiscal dependency on the primary government.

The accompanying financial statements present the City of Kankakee, Illinois (the primary government) and its component units. The financial data of the component units is included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Unit - A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is, in substance, the same as the City. For financial reporting purposes, the following component units are reported as if they were part of the City's operations.

1. **Kankakee Environmental Services Utility (Utility)** - The Utility is governed by a board which is comprised mainly of City Council members. As stated in the Utility bylaws, one City Council member from each ward is required to serve on the Utility Board. The Utility accounts for the operation of the sewer and solid waste systems, including the public works services which benefit the citizens of the City.
2. **Community Development Agency** - The Community Development Agency is governed by the City Council. Its major sources of revenue are intergovernmental grants that are used to benefit the citizens of the City.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Discretely Presented Component Unit - A discretely presented component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or whose relationship with the City is such that exclusion would cause the City's basic financial statements to be misleading or incomplete. The following discretely presented component units are reported in a separate column to emphasize that they are legally separate from the City.

1. **Kankakee Public Library (Library)** - The Library is governed by a board appointed by the City Council. The majority of the Library's revenues are from a property tax levy approved by the Council. The City has also assumed the obligation to finance the Library's deficits.
2. **Special Service Area No. 1 (SSA No. 1)** - SSA No. 1 promotes and develops downtown Kankakee. Its major source of revenues is from a property tax levy approved by the City Council.

Separately audited financial statements for the component units are not available. Combining financial statements for the discretely presented component units are presented after the basic financial statements and prior to the notes to the financial statements.

B. Basis of Presentation

Government-wide Financial Statements - The government-wide statement of net assets and statement of activities report the overall financial activities of the City and its component units, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Additionally, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect expenses for centralized functions are included in the direct expenses. Program revenues include 1) fines, fees, and charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Financial Statements - The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - This fund accounts for the resources used for capital acquisition and other major capital improvement projects including streets, sidewalks and community development projects.

The City reports the following major proprietary funds:

Kankakee Environmental Services Utility - This fund accounts for the provision of sewer services to the residents of the City and operation of the City's waste collection and disposal services. All activities necessary to provide such services are accounted for in this fund, including administration, operations, financing, public works, billing and collection. Activities are funded with user fees.

Additionally, the City reports the following fiduciary fund type:

Pension Trust Funds - These funds account for the accumulation of retirement and disability benefits for police and firefighters' pension plans.

C. Measurement Focus and Basis of Accounting:

Government-wide, Proprietary and Fiduciary Fund Financial Statements - The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City receives value without directly giving equal value in exchange, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. For example, the 2010 levy is recognized as revenue for the year ended April 30, 2012.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Revenues from grants and other contributions are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions associated with a proprietary fund's principal ongoing activities. Exchange transactions are those in which each party receives and gives up essentially equal values. The principal operating revenues of the City's enterprise funds come from charges to customers for sales and services which include sewer and solid waste charges, utility fees and parking fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Governmental Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, except for property taxes and income tax, to be available if they are collected within 90 days of the end of the current fiscal period. Revenues for property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal year for the year intended to finance. Revenues for the income tax are considered to be available if they are collected within 120 to 150 days of the end of the current fiscal year due to further delay in receipt from the State. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt and claims and judgments are recorded only when payment is due. Compensated absences are recorded only when retirement or separation has occurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property taxes, sales taxes, income taxes, utility taxes, intergovernmental revenues, franchise taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility) and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports deferred/unearned revenue on its financial statements. Deferred/unearned revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Deferred/unearned revenues also arise when the resources are received by the City before it has a legal claim to them or prior to the provision of services. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the financial statements and revenue is recognized.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

D. Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. The value of open-end mutual funds are determined by the pool's share price. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. All external investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

E. Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of interfund loans or "advances to/from other funds" for the non-current portion of interfund loans. All other outstanding balances between funds are reported as "due to/from other funds." Interfund balances between governmental funds and between proprietary funds are not included in the government-wide statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not expendable available financial resources.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The City has the following types of interfund transactions:

Loans - Amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds in the fund balance sheets or fund statements of net assets.

Services Provided and Used - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

F. Inventory and Prepaid Items

Inventory, such as fuel and office supplies, is accounted for using the consumption method and is valued at an average weighted cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Restricted Assets - Enterprise Funds

Certain cash and investments in the Kankakee Environmental Services Utility are restricted in accordance with the ordinances authorizing the issuance of the revenue bonds. These assets are reflected as restricted cash and investments and restrictions of net assets.

H. Long-Term Debt, Bond Premiums, Discounts and Issuance Costs

In the government-wide and proprietary fund financial statements, outstanding debts are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The amount of bond issue costs amortized during the year ended April 30, 2012, for the governmental and business-type activities was \$140,807 and \$19,381, respectively. The unamortized bond issuance cost at April 30, 2012 for the governmental and business-type activities was \$1,301,883 and \$239,820, respectively.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, drainage systems, traffic controls, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Minimum capitalization costs are as follows:

Land	\$ 25,000
Machinery, equipment and vehicles	5,000
Buildings, land improvements, leasehold improvements	100,000
Infrastructure assets	250,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, whereas improvements extending the useful lives of the related capital assets are capitalized.

Capital assets of the City and its component units are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings, major plant and sewerage equipment	20 - 75
Machinery, equipment and vehicles	5 - 20
Improvements	7 - 40
Infrastructure	25 - 100

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

J. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus any material unspent bond proceeds.

Restricted - This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's practice to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted - This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

K. Compensated Absences

City employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned.

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

L. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments, including cash in excess of daily requirements that is invested in marketable securities, substantially all of which have a maturity of three months or less when acquired.

M. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

N. Fund Equity - Fund Financial Statements

The City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended April 30, 2012. Fund balance is now classified as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance is reported for amounts that are either not in a spendable form or legally or contractually required to be maintained intact. Restrictions in fund balance are reported for amounts constrained by legal restrictions from outside entities. Committed fund balance is constrained by formal actions of the City Council, which is considered the City's highest level of decision making authority. Formal actions include resolutions and ordinances approved by the Council. Assigned fund balance represents amounts constrained by the City's intent to use them for a specific purpose. Any residual fund balance of the General Fund and any deficits in other funds, if any, are reported as unassigned.

The City's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending, the City considers committed funds to be expended first, followed by assigned and then unassigned.

O. Investment in Joint Venture

The Kankakee Environmental Services Utility has two investments in joint ventures which are reported on the equity method of accounting.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Investing is performed in accordance with investment policies complying with state statutes (as outlined in the Illinois Public Funds Act of 1943) and City charter. These statutes and the City charter authorize the City to invest in direct and general obligations of the United States of America, obligations issued or guaranteed by instrumentalities or agencies of the United States of America, direct and general obligations of any state, interest-bearing demand or time deposits or interest in money market portfolios issued by state banks or trust companies or national banking associations or savings and loan associations that are continuously and fully insured, shares of a diversified open-end management investment company, state pooled investment funds, or repurchase agreements of government securities through banks or trust companies. Police and Fire pension investments are governed by the Illinois Pension Code which authorize, in addition to the above investments, investments in common stock, mutual funds and life insurance company contracts. The City's Police and Firefighters' Pension funds, under the direction of their respective Boards of Trustees, contractually delegate investment oversight to investment managers.

The City maintains a cash and investment pool that is available for use by the General Fund, Capital Projects Fund, and all special revenue funds (except the Motor Fuel Tax Fund, the Community Development Agency, and the Senior Aides Program). In addition, non-pooled cash and investments are separately held by several of the City's funds including component units. The deposits and investments of the pension trust funds are held separately from those of the other City funds.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

Deposits:

The City, component units and pension trust funds' investment policies require all uninsured deposits with financial institutions to be fully collateralized with the collateral held by an independent third party acting as the City's agent and held in the name of the City, component units and pension trust funds, respectively.

At April 30, 2012, the carrying amount of the City's deposits for governmental and business-type activities was \$5,527,255 and the bank balance was \$5,549,758. The entire bank balance was covered through federal depository insurance or by collateral held by the City or its agent, in the City's name.

At April 30, 2012, the carrying amount of deposits of fiduciary activities was \$1,110,073 and the bank balance was \$1,110,075 of which \$244,968 was uninsured and uncollateralized. This portion of the bank balance that is uninsured and uncollateralized is a violation of the City's investment policy.

At April 30, 2012, the carrying amount of deposits of the City's component units was \$818,361 and the bank balance was \$819,340 of which \$319,340 was uninsured and uncollateralized. This portion of the bank balance that is uninsured and uncollateralized is a violation of the City's investment policy.

Investments:

The following table presents the investments and investment maturities of the City and its component units as of April 30, 2012. Categorized investments are insured or registered for which the securities are held by the City or its agent in the City's name. Uncategorized investments are not subject to categorization because they are not securities. The relationship between the City and the investment agent is a direct contractual relationship.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Governmental and business-type activities:					
Uncategorized investments:					
Illinois Funds	\$ 1,760,774	\$ 1,760,774			
Treasury Management Investment Fund	5,164,164	5,164,164			
Illinois Metropolitan Investment Fund (IMET)	141,636	141,636			
	<u>\$ 7,066,574</u>	<u>\$ 7,066,574</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Fiduciary activities:					
Categorized investments:					
U.S. Treasury obligation	\$ 4,883,200	\$ 920,871	\$1,843,169	\$1,659,297	\$ 459,863
U.S. Government agencies	2,526,804	180,402	1,445,807	245,412	655,183
State and local obligation	382,064			148,742	233,322
Uncategorized investments:					
Illinois Funds	59	59			
Corporate bonds	3,095,086		904,352	1,969,235	221,499
Mutual funds	7,703,052	7,703,052			
Money market	722,696	722,696			
Common stock (1)	2,806,252				
	<u>22,119,213</u>	<u>9,527,080</u>	<u>4,193,328</u>	<u>4,022,686</u>	<u>1,569,867</u>
Total investments	<u>\$29,185,787</u>	<u>\$16,593,654</u>	<u>\$4,193,328</u>	<u>\$4,022,686</u>	<u>\$1,569,867</u>

(1) Risk disclosures do not apply to equities.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

The investments in the securities of U.S. government agencies were all rated AAA by Standard & Poor's, and AAA by Moody's Investors Services. The securities of U.S. government agencies at April 30, 2012 consist of the following:

	<u>Fiduciary</u>
FHLMC	\$ 946,132
FNMA	1,447,775
GNMA	91,720
TVA	<u>41,177</u>
Total	<u>\$2,526,804</u>

In accordance with the City's investment policy, the City invests in mortgage-backed securities. These securities are reported at fair value and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and homeowners refinance mortgages, thereby prepaying the mortgages underlying these securities, the cash flow from interest payments is reduced and the value of these securities declines. Likewise, if homeowners pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated. The City invests in mortgage-backed securities to diversify the portfolio and to increase the return while minimizing the extent of risk.

The City invests in Illinois Funds, an external investment pool administered by the State Treasurer, which is rated AAAM by Standard & Poor's Investment Services. The City also invests in Treasury Management Investment Fund, an external investment sweep fund designed specifically for government and municipal entities. The Fund is administered by Allegiance Asset Management Company. The Fund has an average portfolio quality rating of A1+/P1. The City also invests in Illinois Metropolitan Investment Fund, an external investment pool administered by and for Illinois public funds managers and financial officers, which is rated AAAsf/S1 by Standard & Poor's Investment Services. No rating is available for the City's investment in money market and corporate bonds which are managed by an investment broker.

Interest Rate Risk

The City's investment policy limits investment maturities in the General Fund and Special Revenue Funds to a maximum of 36 months. Investments in other funds may be purchased with a longer maturity to match future project or liability requirements as limited by bond ordinances. However, in practice, the City generally limits the average duration of its investments to less than one year in order to control fair value losses arising from increasing interest rates and to remain sufficiently liquid to meet operating needs. Interest rate risk for investments held by Pension Trust Funds is managed by establishing investment parameters for the investment managers.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued):

Credit Risk

The City's investment and cash management policy, as well as the investment policies of the Police and Firefighters' Pension Trust Funds, prescribe to the "prudent person" rule, which states "Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived." The City's investment policy follows the requirements of the State of Illinois Public Funds Investment Act, which prescribes allowable investment vehicles. According to the City's investment policy governing diversification, its investment in Illinois Funds shall not exceed 40 percent of the total investment portfolio unless specifically authorized by the City Council. The City places no limit on the amount the City may invest in any other issuer. The Police and Firefighters' Pension Trust Funds each have separate investment policies, which establish criteria for allowable investments. Both funds follow the requirements of the Illinois Pension Code. The following significant investments (other than those explicitly guaranteed or issued by the U.S. government or those invested in mutual funds, external investment pools or other pooled investments) in the Police and Firefighters' Pension Plans represent 5 percent or more of the net assets available for benefits of the respective plans:

Police Pension Fund:	
FNMA	\$1,089,646
Firefighters' Pension Fund:	
FHLMC	\$746,073

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS:

Illinois Municipal Retirement Fund:

Plan Description

The City contributes to the Illinois Municipal Retirement Fund (IMRF), which provides retirement and disability benefits, post-retirement increases, and death benefits to plan members and beneficiaries. IMRF is an agent-multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. The IMRF covers all City employees who occupy a job normally requiring 600 hours or more per year, are paid on a regular payroll from City funds, were under age 60 when first entering employment and are not covered by another state-created retirement system for the same service. Employees not qualifying above are considered "Nonparticipating employees" and are covered under Social Security or under the police pension or firefighters' pension plans. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not for individual employers. That report may be obtained on-line at www.imrf.org.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

IMRF provides two tiers of pension benefits. Employees hired prior to January 1, 2011, are eligible for Tier 1 benefits. For Tier 1 employees, pension benefits vest after eight years of service. Participating members who retire at age 55 (reduced benefits) or after age 60 (full benefits) with eight years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3 percent of their final rate of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter.

Employees hired on or after January 1, 2011, are eligible for Tier 2 benefits. For Tier 2 employees, pension benefits vest after 10 years of service. Participating members who retire at age 62 (reduced benefits) or after age 67 (full benefits) with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1 2/3 percent of their final rate of earnings, for each year of credited service up to 15 years, and 2 percent for each year thereafter.

Funding Policy

As set by statute, employees participating in IMRF are required to contribute 4.50 percent of their annual covered salary. The statutes require employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer contribution rate for calendar year 2011, used by the City, was 9.44 percent of annual covered payroll. The employer annual required contribution rate for calendar year 2011 was 12.25 percent. Employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost and Net Pension Obligation

For the fiscal year ending April 30, 2012, the employer's actual contributions for pension cost were \$563,101. Its required contribution for calendar year 2011 was \$712,818. The required contribution for 2011 was determined as part of the December 31, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at December 31, 2009, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from 0.4 percent to 10.0 percent per year depending on age and services, attributable to seniority/merit, and (d) post-retirement benefit increases of 3.0 percent annually. The actuarial value of IMRF assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 20.0 percent corridor between the actuarial and market value of assets. IMRF's unfunded actuarial accrued liability at December 31, 2009 is being amortized as a level percentage of projected payroll on an open 30 year basis.

Three-Year Trend Information:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$718,005	78%	\$380,582
2011	687,085	75%	225,678
2010	519,487	89%	56,399

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

The City's APC and NPO are calculated as follows:

Annual required contribution	\$713,178
Interest on net pension obligation	16,926
Adjustment to annual required contribution	(12,099)
Annual pension cost	718,005
Contributions made	<u>563,101</u>
Increase in net pension obligation	154,904
Net pension obligation, beginning of year	<u>225,678</u>
Net pension obligation, end of year	<u>\$380,582</u>

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the City's IMRF plan was 75.62 percent funded. The actuarial accrued liability for benefits was \$20,485,433 and the actuarial value of assets was \$15,490,536, resulting in an underfunded actuarial accrued liability (UAAL) of \$4,994,897. The covered payroll for calendar year 2011 (annual payroll of active employees covered by the plan) was \$5,818,925 and the ratio of the UAAL to the covered payroll was 86 percent.

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Police Pension and Firefighters' Pension Funds:

A. Plan descriptions

The City contributes to two single-employer defined benefit pension plans: The Police Pension Plan and the Firefighters' Pension Plan (Plans). Each plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Sworn Police and Fire personnel are covered by the Plans. Although these are single-employer pension plans, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (ILCS) and may be amended only by the Illinois legislature. The City accounts for the Plans as Pension Trust Funds. The City does not, however, separately issue audited financial reports for the Plans.

Police Pension Plan

Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5 percent of final salary for each year of service up to 30 years, to a maximum of 75 percent of such salary.

Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit of 2.5 percent of final salary for each year of service.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty, or otherwise the greater of 50 percent of final salary or the employee's retirement benefit.

Employees disabled in the line of duty receive 65 percent of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years by 3 percent of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as 3 percent of the amount of the pension payable at the time of the increase.

Employees are required by ILCS to contribute 9.91 percent of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest.

For employees hired after January 1, 2011, the normal retirement age is attainment of age 55 and completion of 10 years of service. Early retirement age is attainment of age 50, completion of 10 years of service and the early retirement factor is 6 percent per year. The employee's accrued benefit is based on the employee's final eight year average salary not to exceed \$106,800 (as indexed). Cost of living adjustments are simple increases, not compounded, of the lesser of three percent or 50 percent of the Consumer Price Index beginning the later of the anniversary and age 60. Surviving spouse's benefits are 66.67 percent of the employee's benefit at the time of death.

Firefighters' Pension Plan

Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5 percent of such monthly salary for each additional month of service over 20 years up to 30 years, to a maximum of 75 percent of such monthly salary.

Employees with at least 10 years, but less than 20 years of credited service, may retire at or after age 60 and receive a reduced retirement benefit ranging from 15 percent of final salary for 10 years of service to 45.6 percent for 19 years of service.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty, or otherwise the greater of 54 percent of final salary or the monthly retirement pension that the deceased firefighter was receiving at the time of death. Surviving children receive 12 percent of final salary. The maximum family survivor benefit is 75 percent of final salary.

Employees disabled in the line of duty receive 65 percent of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55, by 3 percent of the amount of the pension payable at the time of the increase.

Covered employees are required by ILCS to contribute 9.455 percent of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

For employees hired after January 1, 2011, the annual retirement benefit is 2.5 percent of final average salary for each year of service up to 30 years, to a maximum of 75 percent of such salary, the normal retirement age is attainment of age 55 and completion of 10 years of service. Early retirement age is attainment of age 50, completion of 10 years of service and early retirement factor of 6 percent per year. The employee's accrued benefit is based on the employee's final eight year average salary not to exceed \$106,800 (as indexed). Cost of living adjustments are simple increases, not compounded, of the lesser of 3 percent or 50 percent of Consumer Price Index beginning the later of the anniversary date and age 60. Surviving spouse's benefits are 66.67 percent of the employee's benefits at the time of death.

Membership of the Plans is as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Retirees and beneficiaries receiving benefits	55	70
Terminated plan members entitled to but not yet receiving benefits	1	2
Active vested plan members	53	21
Active nonvested plan members	<u>16</u>	<u>35</u>
Total	<u>125</u>	<u>128</u>

B. Summary of Significant Accounting Policies and Plan Asset Matters

The financial statements of the Plans are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments without an established market are reported at estimated fair value. Administrative costs are financed through investment earnings.

C. Significant Investments

There are no significant investments (other than those guaranteed or issued by the U.S. government) in any one organization that represent 5 percent or more of the net assets available for benefits except for the following investments:

Police Pension Fund:	
Standard & Poor's 500 Fund	\$ 973,923
Calamos Growth and Income Fund	<u>890,532</u>
	<u>\$1,864,455</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

Firefighters' Pension Fund:	
Calamos Growth and Income Fund	\$518,397
Standard & Poor's 500 Fund	699,350
Ivy Asset Strategy Fund	525,178
Pimco All Asset All Authority Fund	536,551
Gabelli Value Fund	<u>530,558</u>
	<u>\$2,810,034</u>

D. Funding Policy and Actuarial Assumptions

The City funds its contribution to the Plans through an annual tax levy. The levy amount is actuarially determined as the annual contribution necessary to fund the normal cost, plus the amount to amortize the unfunded accrued liability. Actuarial valuations are performed annually. There are no material current year changes to the actuarial assumptions and benefit provisions.

Employer contributions have been determined as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Actuarial valuation date	April 30, 2011	April 30, 2011
Employer contribution rate	41.94% of covered payroll	55.59% of covered payroll
Actuarial cost method	Entry-age normal	Entry-age normal
Asset valuation method	Market	Market
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	30 years	30 years
Significant actuarial assumptions:		
(a) Investment rate of return*	7.0% compounded annually	7.0% compounded annually
(b) Projected salary increases*	5% compounded annually	5% compounded annually
(c) Cost of living adjustments	3% per year	3% per year
* Includes inflation at	3%	3%

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

E. Annual Pension Cost and Net Pension Obligation

Employer annual pension costs (APC), percentage of APC contributed and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the Annual Required Contribution (ARC) and the contributions actually made.

	<u>Year Ending April 30,</u>	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Annual pension costs (APC):			
	2012	\$2,073,464	\$2,269,936
	2011	1,897,883	2,197,686
	2010	1,534,697	1,696,706
Percentage of APC contributed:			
	2012	95.0%	90.1%
	2011	74.7%	69.1%
	2010	92.4%	82.6%
NPO:			
	2012	\$5,310,998	\$7,836,985
	2011	5,206,423	7,613,181
	2010	4,726,086	6,933,707

The City's APC and NPO are calculated as follows:

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Annual required contribution	\$1,968,889	\$2,117,020
Interest on net pension obligation	416,514	609,054
Adjustment to annual required contribution	(311,939)	(456,138)
Annual pension cost	2,073,464	2,269,936
Contributions made	<u>1,968,889</u>	<u>2,046,132</u>
Increase in net pension obligation	104,575	223,804
Net pension obligation, beginning of year	<u>5,206,423</u>	<u>7,613,181</u>
Net pension obligation, end of year	<u>\$5,310,998</u>	<u>\$7,836,985</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

F. Pension Financial Statements

The following is a combining statement of plan net assets as of April 30, 2012:

	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Totals</u>
Assets:			
Cash and short-term investments	\$ 993,450	\$ 839,378	\$ 1,832,828
Receivables, less allowance for uncollectible amounts:			
Employee contributions	20,928	14,522	35,450
Employer contributions		83,038	83,038
Interest	40,738	41,322	82,060
Investments, at fair value:			
Open-end mutual funds	3,821,550	3,881,502	7,703,052
Corporate securities	2,806,252		2,806,252
U.S. treasury and agency securities	4,470,848	2,939,156	7,410,004
Corporate bonds	1,944,811	1,150,275	3,095,086
State and local obligations	254,651	127,413	382,064
Prepaid items	<u> </u>	<u>10,284</u>	<u>10,284</u>
 Total assets	 <u>14,353,228</u>	 <u>9,086,890</u>	 <u>23,440,118</u>
Liabilities:			
Benefits and other payables	<u>187,811</u>	<u>212,753</u>	<u>400,564</u>
Net assets held in trust for pension benefits	 <u>\$14,165,417</u>	 <u>\$8,874,137</u>	 <u>\$23,039,554</u>

The following is a combining statement of changes in plan net assets for the year ended April 30, 2012:

	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$1,968,888	\$2,117,020	\$4,085,908
Employee	<u>498,481</u>	<u>345,587</u>	<u>844,068</u>
 Total contributions	 <u>2,467,369</u>	 <u>2,462,607</u>	 <u>4,929,976</u>
Investment income (loss):			
Net change in			
fair value of investments	45,452	(151,678)	(106,226)
Interest and dividends	<u>314,580</u>	<u>298,407</u>	<u>612,987</u>
	360,032	146,729	506,761

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

	<u>Police Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Totals</u>
Less: investment expenses	\$ (90,437)	\$ (58,706)	\$ (149,143)
Net investment income	<u>269,595</u>	<u>88,023</u>	<u>357,618</u>
Total additions	<u>2,736,964</u>	<u>2,550,630</u>	<u>5,287,594</u>
Deductions:			
Benefits	2,096,217	2,457,954	4,554,171
Refunds of contributions	8,258		8,258
Administrative expenses	<u>26,360</u>	<u>38,974</u>	<u>65,334</u>
Total deductions	<u>2,130,835</u>	<u>2,496,928</u>	<u>4,627,763</u>
Net increase	606,129	53,702	659,831
Net assets held in trust for pension benefits:			
May 1, 2011	<u>13,559,288</u>	<u>8,820,435</u>	<u>22,379,723</u>
April 30, 2012	<u>\$14,165,417</u>	<u>\$8,874,137</u>	<u>\$23,039,554</u>

G. Funded Status and Funding Progress

The funded status of the Plans based on actuarial valuations performed as of April 30, 2011, is as follows. The actuarial assumptions used to determine the funded status of the plans are the same actuarial assumptions used to determine the employer annual pension contribution of the plans as disclosed above in Note 3 D.

	<u>Police Pension</u>	<u>Firefighters' Pension</u>
Actuarial accrued liability (AAL)	\$47,690,763	\$41,794,307
Actuarial value of plan assets	15,528,178	8,820,435
Unfunded actuarial accrued liability (UAAL)	32,162,585	32,973,872
Funded ratios (actuarial value of plan assets / AAL)	32.6%	21.1%
Covered payroll (active plan members)	4,694,622	3,680,655
UAAL as a percentage of covered payroll	685.1%	895.9%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS (Continued):

Annual OPEB Costs and Net OPEB Obligation

The City had its last actuarial valuation performed for the plan as of April 30, 2011. The net OPEB obligation has been updated through April 30, 2012. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Year Ending April 30,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$367,658	\$145,422	39.6%	\$497,185
2011	205,147	112,792	55.0%	274,949
2010	203,633	112,792	55.4%	182,594

The net OPEB obligation (NOPEBO) as of April 30, 2012, was calculated as follows:

Annual required contribution	\$363,074
Interest on net OPEB obligation	13,749
Adjustment to annual required contribution	<u>(9,165)</u>
Annual OPEB cost	367,658
Contributions made	<u>145,422</u>
Increase in net OPEB obligation	222,236
Net OPEB obligation, beginning of year	<u>274,949</u>
Net OPEB obligation, end of year	<u>\$497,185</u>

Funded Status and Funding Progress

The Funded status of the plan as of April 30, 2012 was as follows:

Actuarial accrued liability (AAL)	\$5,835,321
Actuarial value of plan assets	-0-
Unfunded actuarial accrued liability (UAAL)	5,835,321
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	14,194,202
UAAL as a percentage of covered payroll	41.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS:

Plan Description

In addition to providing the pension benefits described, the City provides post-employment health care benefits (OPEB) for retired employees through a single employer defined benefit plan. The benefits, benefit levels, employee contributions and any employer contributions are governed by the City and can be amended by the City through its personnel manual and union contracts. The plan is not accounted for as a trust fund, an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activities of the plan are reported in the City's governmental and business-type activities.

Benefits Provided

The City provides post-employment health care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under one of the City's retirement plans or meet COBRA requirements.

All health care benefits are provided through the City's health plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental, nervous, and substance abuse care; and prescriptions. Eligibility in the City sponsored health care plan is not discontinued upon eligibility for federally sponsored health care benefits. The retirees may continue on the City's health plan as a supplement to other plans for which the retirees are eligible.

Membership

At April 30, 2012, membership consisted of:

Retirees and beneficiaries currently receiving benefits	21
Terminated employees entitled to benefits but not yet receiving them	-0-
Active vested plan members	163
Active nonvested plan members	<u>84</u>
Total	<u>268</u>

Funding Policy

The City negotiates the contribution percentages between the City and employees through the union contracts and personnel policy. All retirees contribute 100% of the actuarially determined premium to the plan (except for the Kankakee Environmental Services Utility retirees who contribute 20% of premium for the first three years only), to cover the cost of providing the benefits to the current members via the insured plan (pay as you go) which results in an implicit subsidy to the City as defined by the GASB Statement No. 45. For the fiscal year ending April 30, 2012, retirees contributed \$232,730 and the City contributed \$145,422 toward the implicit subsidy. The City is not required to and currently does not advance fund the cost of benefits that will become due and payable in the future. Active employees do not contribute to the plan until retirement.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS (Continued):

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the April 30, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.00% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate starting at 8.00% initially and 6.00% ultimately. Both rates include a 3.00% inflation assumption. The actuarial value of assets was not determined as the City has not advance funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at April 30, 2011, was 30 years.

NOTE 5 - CAPITAL ASSETS:

The beginning balances of the capital assets reported in the governmental activities of the primary government were restated by \$403,843 to correct certain errors identified in the prior period. See Note 22.

A summary of changes in capital assets of the City and its component units for the year ended April 30, 2012 is as follows:

	Balance May 1, 2011 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2012
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,268,162			\$ 5,268,162
Construction in progress	<u>1,063,108</u>	\$ <u>97,317</u>	<u>\$220,832</u>	<u>939,593</u>
Total capital assets not being depreciated	<u>6,331,270</u>	<u>97,317</u>	<u>220,832</u>	<u>6,207,755</u>
Capital assets being depreciated:				
Buildings	14,282,745			14,282,745
Equipment	670,125	69,456	39,895	699,686
Vehicles	4,383,450	184,332	210,383	4,357,399
Land improvements	3,530,558			3,530,558
Infrastructure	<u>79,513,648</u>	<u>220,832</u>	<u>14,187</u>	<u>79,720,293</u>
Total capital assets being depreciated	<u>102,380,526</u>	<u>474,620</u>	<u>264,465</u>	<u>102,590,681</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 5 - CAPITAL ASSETS (Continued):

	Balance May 1, 2011 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2012 <u>2012</u>
Less accumulated depreciation:				
Buildings	\$ 1,306,732	\$ 190,742		\$ 1,497,474
Equipment	405,153	102,243	\$ 36,295	471,101
Vehicles	2,437,510	287,576	210,383	2,514,703
Land improvements	1,046,914	164,568		1,211,482
Infrastructure	<u>15,850,838</u>	<u>991,437</u>	<u>11,491</u>	<u>16,830,784</u>
Total accumulated depreciation	<u>21,047,147</u>	<u>1,736,566</u>	<u>258,169</u>	<u>22,525,544</u>
Total capital assets being depreciated, net	<u>81,333,379</u>	<u>(1,261,946)</u>	<u>6,296</u>	<u>80,065,137</u>
Total capital assets, net	<u>\$87,664,649</u>	<u>\$(1,164,629)</u>	<u>\$227,128</u>	<u>\$86,272,892</u>

Depreciation expense for governmental activities for the year ended April 30, 2012 was charged to functions as follows:

General government	\$ 338,953
Public safety	371,843
Highways and streets	991,437
Community development	<u>34,333</u>
	<u>\$1,736,566</u>

	Balance May 1, 2011 <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2012 <u>2012</u>
Business-type activities:				
Kankakee Environmental Services Utility:				
Capital assets not being depreciated:				
Land	\$ 642,263			\$ 642,263
Construction in progress	<u>541,379</u>	<u>\$634,156</u>	<u>\$212,757</u>	<u>962,778</u>
Total capital assets not being depreciated	<u>1,183,642</u>	<u>634,156</u>	<u>212,757</u>	<u>1,605,041</u>
Capital assets being depreciated:				
Buildings	11,933,087	32,899		11,965,986
Equipment	3,180,029	190,928	14,250	3,356,707
Vehicles	2,638,458	365,409	324,263	2,679,604
Leasehold improvements	289,696			289,696
Infrastructure	<u>29,012,148</u>	<u>602,440</u>		<u>29,614,588</u>
Total capital assets being depreciated	<u>\$47,053,418</u>	<u>\$1,191,676</u>	<u>\$338,513</u>	<u>\$47,906,581</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 5 - CAPITAL ASSETS (Continued):

	Balance May 1, 2011 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2012 <u>2012</u>
Less accumulated depreciation:				
Buildings	\$5,333,643	\$244,415		\$5,578,058
Equipment	2,304,709	208,999	14,250	2,499,458
Vehicles	1,672,951	180,514	242,617	1,610,848
Leasehold improvements	67,994	7,019		75,013
Infrastructure	<u>10,558,989</u>	<u>646,890</u>		<u>11,205,879</u>
Total accumulated depreciation	<u>19,938,286</u>	<u>1,287,837</u>	<u>256,867</u>	<u>20,969,256</u>
Total capital assets being depreciated, net	<u>27,115,132</u>	<u>(96,161)</u>	<u>81,646</u>	<u>26,937,325</u>
Total capital assets, net	<u>\$28,298,774</u>	<u>\$ 537,995</u>	<u>\$294,403</u>	<u>\$28,542,366</u>
Motor Vehicle Parking:				
Capital assets not being depreciated:				
Land	<u>\$1,443,808</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$1,443,808</u>
Capital assets being depreciated:				
Equipment	82,384			82,384
Vehicles	18,555			18,555
Land improvements	<u>731,992</u>	<u>---</u>	<u>---</u>	<u>731,992</u>
Total capital assets being depreciated	<u>832,931</u>	<u>-0-</u>	<u>-0-</u>	<u>832,931</u>
Less accumulated depreciation:				
Equipment	82,384			82,384
Vehicles	18,555			18,555
Land improvements	<u>731,992</u>	<u>---</u>	<u>---</u>	<u>731,992</u>
Total accumulated depreciation	<u>832,931</u>	<u>-0-</u>	<u>-0-</u>	<u>832,931</u>
Total capital assets being depreciated, net	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total capital assets, net	<u>\$1,443,808</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$1,443,808</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 5 - CAPITAL ASSETS (Continued):

	Balance May 1, 2011 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2012
Component Units:				
Library:				
Capital assets being depreciated:				
Buildings	\$7,758,883			\$7,758,883
Equipment	59,489			59,489
Leasehold improvements	<u>156,317</u>	<u>\$138,353</u>	—	<u>294,670</u>
Total capital assets being depreciated	<u>7,974,689</u>	<u>138,353</u>	\$-0-	<u>8,113,042</u>
Less accumulated depreciation:				
Buildings	1,249,615	97,759		1,347,374
Equipment	59,489			59,489
Leasehold improvements	<u>62,528</u>	<u>14,734</u>	—	<u>77,262</u>
Total accumulated depreciation	<u>1,371,632</u>	<u>112,493</u>	\$-0-	<u>1,484,125</u>
Total capital assets, net	<u>\$6,603,057</u>	\$ <u>25,860</u>	\$-0-	<u>\$6,628,917</u>
Special Service Area No. 1:				
Capital assets being depreciated:				
Land improvements	<u>\$1,126,132</u>	\$ -0-	\$-0-	<u>\$1,126,132</u>
Less accumulated depreciation:				
Land improvements	<u>196,142</u>	<u>54,918</u>	—	<u>251,060</u>
Total capital assets, net	\$ <u>929,990</u>	\$ <u>(54,918)</u>	\$-0-	\$ <u>875,072</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund balances at April 30, 2012 consisted of the following:

Primary government:	
Governmental funds:	
Due to General Fund from:	
Kankakee Environmental Services Utility	\$290,288
Nonmajor governmental funds	<u>163,341</u>
Total	<u>\$453,629</u>
Component units:	
Library	<u>\$63,519</u>
Due to Capital Projects Fund from:	
Nonmajor governmental funds	<u>\$150,508</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES (Continued):

Due to nonmajor governmental funds from:	
Nonmajor governmental funds	\$173,802
Kankakee Environmental Services Utility	<u>2,086</u>
Total	<u>\$175,888</u>
Component Units:	
Library	<u>\$9,432</u>
Enterprise funds:	
Due to Kankakee Environmental Services Utility from:	
General Fund	\$ 27,289
Capital Projects Fund	5,828
Nonmajor governmental fund	<u>188,922</u>
Total	<u>\$222,039</u>
Component Units:	
Due to Special Service Area #1 from:	
Nonmajor governmental fund	<u>\$17,536</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. All these interfund balances are expected to be repaid within one year.

NOTE 7 - ACCOUNTS RECEIVABLE:

An analysis of the collectibility of accounts receivable for sewer, garbage collection, Community Development Agency loans and other receivables was performed as of April 30, 2012. The analysis shows that the collection of approximately \$968,791 of these accounts is doubtful. An allowance for uncollectible accounts for this amount has been recorded. At April 30, 2012, the City has deferred economic development loans receivable of \$537,861 since they will not be available to pay current period expenditures. All other receivables are scheduled for collection during the fiscal year ending April 30, 2013.

Accounts receivable at April 30, 2012, are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Governmental activities:			
Trash collection	\$ 160,024		\$ 160,024
Franchise fees	92,384		92,384
Economic development loans		\$ 726,664	726,664
Other receivables	<u>107,731</u>		<u>107,731</u>
Total	360,139	726,664	1,086,803
Less: allowance for doubtful accounts	<u>(160,024)</u>	<u>(188,000)</u>	<u>(348,024)</u>
Accounts receivable, net	<u>\$ 200,115</u>	<u>\$ 538,664</u>	<u>\$ 738,779</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 7 - ACCOUNTS RECEIVABLE (Continued):

	Kankakee Environmental Services <u>Utility</u>
Business-type activities:	
Sewer charges	\$1,704,446
Garbage collection	415,684
Other receivables	<u>45,334</u>
Total	2,165,464
Less: allowance for doubtful accounts	<u>(620,767)</u>
Accounts receivable, net	<u>\$1,544,697</u>

NOTE 8 - DUE FROM OTHER GOVERNMENTAL AGENCIES:

The following receivables are included in due from other governmental agencies:

Governmental activities:	
General Fund:	
Sales tax	\$4,431,023
Local use tax	97,867
State replacement tax	95,548
Income tax	821,359
Various grants	<u>62,689</u>
Total General Fund	<u>5,508,486</u>
Nonmajor governmental funds:	
CDBG Grant	238,708
Lead Grant	82,770
Home Grant	87,102
Motor fuel taxes	<u>84,641</u>
Total nonmajor governmental funds	<u>493,221</u>
Total governmental activities	<u>\$6,001,707</u>
Business-type activities:	
Kankakee Environmental Services Utility:	
Illinois Department Of Transportation	\$17,712
Kankakee Township	12,157
Other	<u>500</u>
Total business-type activities	<u>\$30,369</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 9 - SPECIAL ASSESSMENTS:

The special assessments receivable of \$2,016,500 results from the creation of Indian Meadows Special Tax Assessment District for infrastructure costs. The special assessments are recorded when levied. Deferred assessments consist of unbilled special assessments which are liens against the property benefited. \$1,713,500 of the special assessments receivable is not expected to be collected within one year.

NOTE 10 - LONG-TERM DEBT OBLIGATIONS:

A summary of changes in long-term debt for the year ended April 30, 2012 is as follows:

	<u>Balance</u> <u>May 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>April 30, 2012</u>	<u>Due within</u> <u>One Year</u>
Primary Government:					
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$69,687,327	\$4,680,000	\$ 9,065,000	\$65,302,327	\$4,595,000
Premium on bond proceeds	1,009,100	110,185	232,496	886,789	
Less: deferred loss on refunded debt	<u>605,610</u>	<u>182,383</u>	<u>137,023</u>	<u>650,970</u>	
Total bonds payable	70,090,817	4,607,802	9,160,473	65,538,146	4,595,000
Installment notes	2,884,600		292,983	2,591,617	304,697
Unfunded employer pension contributions	12,989,932	538,633		13,528,565	
Compensated absences	4,478,500	1,395,500	1,034,000	4,840,000	1,338,000
Net other post employment benefit obligation	<u>195,323</u>	<u>275,743</u>	<u>109,067</u>	<u>361,999</u>	
Total long-term debt	<u>\$90,639,172</u>	<u>\$6,817,678</u>	<u>\$10,596,523</u>	<u>\$86,860,327</u>	<u>\$6,237,697</u>
Business-type activities:					
Kankakee Environmental Services Utility:					
Bonds Payable:					
Revenue bonds	\$ 9,205,000		\$ 440,000	\$ 8,765,000	\$450,000
Discount on bond proceeds	(11,986)		(959)	(11,027)	
Less: deferred loss on refunded debt	<u>131,473</u>		<u>8,217</u>	<u>123,256</u>	
Total bonds payable	9,061,541	\$ -0-	430,824	8,630,717	450,000
Note payable		4,000,000		4,000,000	
Compensated absences	880,800	548,587	577,887	851,500	391,000
Net other post employment benefit obligation	<u>79,627</u>	<u>91,914</u>	<u>36,355</u>	<u>135,186</u>	
Total long-term debt	<u>\$10,021,968</u>	<u>\$4,640,501</u>	<u>\$1,045,066</u>	<u>\$13,617,403</u>	<u>\$841,000</u>
Component units:					
Capital lease obligations	<u>\$2,952,147</u>	<u>\$-0-</u>	<u>\$109,085</u>	<u>\$2,843,062</u>	<u>\$114,666</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

Long-term liabilities other than debt typically have been liquidated in the General Fund and Kankakee Environmental Services Utility.

Long-term debt is comprised of the following:

Governmental
Activities

General Obligation Bonds

The City has issued several general obligation serial bonds to provide for the costs of the City's various public infrastructure and capital improvement programs. General obligation bonds at April 30, 2012, consist of the following:

\$4,860,000 City of Kankakee serial bonds dated June 1, 2003, due in annual installments on January 1 of amounts ranging from \$250,000 to \$490,000, through January 2013, plus interest ranging from 2.25% to 5.25%, payable semiannually.	\$ 340,000
\$9,600,000 City of Kankakee serial bonds dated April 1, 2004, due in annual installments on January 1 of amounts ranging from \$130,000 to \$1,820,000, through January 2020, plus interest ranging from 2.00% to 4.00%, payable semiannually.	4,115,000
\$9,160,000 City of Kankakee serial bonds dated February 1, 2005, due in annual installments on January 1 of amounts ranging from \$115,000 to \$815,000, through January 2024 plus interest ranging from 3.00% to 4.35%, payable semiannually.	7,415,000
\$9,555,000 City of Kankakee serial bonds dated September 15, 2006, due in annual installments on January 1 of amounts ranging from \$40,000 to \$1,125,000, through January 2025, plus interest ranging from 3.50% to 5.25%, payable semiannually.	8,370,000

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Activities</u>
\$5,405,000 City of Kankakee serial bonds dated August 2, 2007, due in annual installments on January 1 of amounts ranging from \$110,000 to \$700,000, through January 2027, plus interest ranging from 4.00% to 5.00%, payable semiannually.	\$ 4,575,000
\$1,422,327 City of Kankakee serial bonds dated August 2, 2007, due in annual installments on January 1 of amounts ranging from \$267,496 to \$402,672, through January 2018, plus interest ranging from 4.25% to 4.36%, payable annually.	1,422,327
\$6,930,000 City of Kankakee serial bonds dated June 1, 2008, due in annual installments on January 1 of amounts ranging from \$315,000 to \$1,075,000, through January 2024, plus interest ranging from 3.45% to 5.25% payable semiannually.	6,930,000
\$10,180,000 City of Kankakee serial bonds dated April 15, 2009, due in annual installments on January 1 of amounts ranging from \$80,000 to \$1,025,000 through January 2029, plus interest ranging from 2.30% to 5.00% payable semiannually.	10,020,000
\$14,905,000 City of Kankakee serial bonds dated April 15, 2009, due in annual installments on January 1 of amounts ranging from \$35,000 to \$2,275,000, through January 2025, plus interest ranging from 3.00% to 5.00% payable semiannually.	11,090,000
\$5,000,000 City of Kankakee serial bonds dated April 27, 2011, due in annual installments on January 1 of amounts ranging from \$105,000 to \$955,000 through January 2025, plus interest ranging from 2.50% to 4.90% payable semiannually.	5,000,000
\$370,000 City of Kankakee bonds dated April 27, 2011, due in a single installment on January 1, 2020, plus interest of 4.10% payable semiannually.	370,000

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Activities</u>
\$1,310,000 City of Kankakee serial bonds dated April 27, 2011, due in annual installments on January 1 of amounts ranging from \$255,000 to \$365,000 through January 2015, plus interest ranging from 2.00% to 3.00% payable semiannually.	\$ 975,000
\$2,035,000 City of Kankakee bonds dated October 12, 2011, due in annual installments on January 1 of amounts ranging from \$940,000 to \$1,095,000 through January 2014, plus interest of 2.00% payable semiannually.	2,035,000
\$2,645,000 City of Kankakee bonds dated March 13, 2012, due in annual installments on January 1 of amounts ranging from \$80,000 to \$465,000, through January 2019, plus interest ranging from 2.00% to 2.50% payable semiannually.	<u>2,645,000</u>
Total general obligation bonds	65,302,327
Add: Unamortized premium on bond issuance and deferred loss on early retirement of bonds, net	<u>235,819</u>
Total bonds payable	<u>\$65,538,146</u>

The annual requirements to amortize all short and long-term general obligation bonds outstanding at April 30, 2012, are as follows:

<u>Year Ending April 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 4,595,000	\$ 2,551,910	\$ 7,146,910
2014	4,955,000	2,418,883	7,373,883
2015	5,072,672	2,414,788	7,487,460
2016	5,285,125	2,255,488	7,540,613
2017	5,527,496	2,061,949	7,589,445
2018 - 2022	22,747,034	6,929,762	29,676,796
2023 - 2027	15,305,000	2,123,805	17,428,805
2028 - 2029	<u>1,815,000</u>	<u>123,781</u>	<u>1,938,781</u>
	<u>\$65,302,327</u>	<u>\$20,880,366</u>	<u>\$86,182,693</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Activities</u>
<u>Installment Notes</u>	
Non-interest bearing \$200,000 loan dated February 22, 2005, from the Illinois Finance Authority for the purchase of a fire truck, payable in twenty annual installments of \$10,000, commencing on November 1, 2005 through November 1, 2024.	\$ 130,000
\$2,876,532 general obligation bank note, dated January 30, 2008, secured by the full faith, credit and resources of the City, payable in 10 annual installments of \$352,500, including interest at 4.14%, through January 1, 2018.	1,961,617
\$500,000 Department of Housing and Urban Development Community Development Block Grant (CDBG) Section 108 loan dated February 27, 2008, secured by current and future CDBG funding allocations. The loan is payable in a one time payment of \$500,000 on December 2017, plus interest paid semi-annually at 1.64%.	<u>500,000</u>
Total installment notes	<u>\$2,591,617</u>

The annual requirements to amortize all long-term installment loans outstanding at April 30, 2012, are as follows:

<u>Year Ending April 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 304,697	\$ 89,439	\$ 394,136
2014	316,900	77,238	394,138
2015	329,604	64,533	394,137
2016	342,836	51,301	394,137
2017	356,615	37,522	394,137
2018 - 2022	910,965	19,058	930,023
2023 - 2025	<u>30,000</u>		<u>30,000</u>
	<u>\$2,591,617</u>	<u>\$339,091</u>	<u>\$2,930,708</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

Capital Lease Obligation

The City has entered into a lease agreement as lessee for financing the acquisition of the library building. This lease agreement qualifies as capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments in the accompanying financial statements. The following is a schedule of capital lease obligations and the minimum lease payments:

	<u>Component Unit - Library</u>
\$7,758,882 lease, plus interest of \$2,628,206, due in monthly installments of \$21,185, including interest, through October 2028. Payable from Kankakee Public Library Fund, a component unit.	<u>\$2,843,062</u>

The following is an analysis of the assets recorded under capital leases at April 30, 2012:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Component Units - Library:			
Buildings	<u>\$7,758,883</u>	<u>\$1,347,374</u>	<u>\$6,411,509</u>

Future minimum lease payments for all capital lease obligations:

<u>Year Ending April 30,</u>	<u>Component Unit - Library</u>
2013	\$ 254,215
2014	254,215
2015	254,215
2016	254,215
2017	254,215
2018 - 2022	1,271,076
2023 - 2027	1,271,076
2028 - 2029	<u>360,139</u>
Total minimum lease payments	4,173,366
Less: amount representing interest	(1,330,304)
Present value of minimum lease payments	<u>\$2,843,062</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Activities</u>	
<u>Unfunded Employer Pension Contributions</u>		
Cumulative difference between the annual pension cost and the contributions funded for the Police Pension Fund	\$ 5,310,998	
Cumulative difference between the annual pension cost and the contributions funded for the Firefighters' Pension Fund	7,836,985	
Cumulative difference between the annual required pension cost and the contributions funded for Illinois Municipal Retirement Fund	<u>380,582</u>	
Total unfunded employer pension contributions due from General Fund	<u>\$13,528,565</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
<u>Compensated Absences</u>		
Vested portion of the vacation and sick leave and other employee benefits which are expected to be paid from the governmental funds and enterprise funds.	<u>\$4,840,000</u>	<u>\$851,500</u>
<u>Net Other Post Employment Benefits</u>		
Cumulative difference between the actuarially determined annual other post employment benefit cost and contributions made for the governmental funds and enterprise funds.	<u>\$361,999</u>	<u>\$135,186</u>

Revenue Bonds

Details of the revenue bond indebtedness of the City's Environmental Services Utility Fund at April 30, 2012,
are as follows:

\$4,000,000 Sewer Utility serial bonds dated December 1, 2009, due in annual installments on May 1 of amounts ranging from \$220,000 to \$385,000, through May 1, 2024, plus interest at rates ranging from 2.00% to 5.80%, payable semiannually.	\$3,555,000
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CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

\$2,700,000 Taxable Sewer Utility serial bonds dated December 2, 2010, due in annual installments beginning on May 1, 2022 of amounts ranging from \$300,000 to \$380,000, through May 2025, with a final single payment of \$1,440,000 due on May 1, 2030, plus interest at rates ranging from 5.35% to 5.75%, payable semiannually.	\$2,700,000
\$2,740,000 Sewer Utility serial bonds dated December 2, 2010, due in annual installments on May 1 of amounts ranging from \$15,000 to \$570,000, through May 2022, plus interest at rates ranging from 2.00% to 3.90%, payable semiannually.	<u>2,510,000</u>
Total revenue bonds	8,765,000
Less: Unamortized discount on bond issuance and deferred loss on early retirement of bonds, net	<u>(134,283)</u>
Total bonds payable	<u>\$8,630,717</u>

Debt service on the above revenue bonds payable at April 30, 2012, are as follows:

Year Ending April 30,	Business-Type Activities		
	Principal	Interest	Total
2013	\$ 450,000	\$ 419,672	\$ 869,672
2014	465,000	406,813	871,813
2015	480,000	392,787	872,787
2016	500,000	376,388	876,388
2017	515,000	358,007	873,007
2018 - 2022	3,205,000	1,448,395	4,653,395
2023 - 2027	1,710,000	713,755	2,423,755
2028 - 2030	<u>1,440,000</u>	<u>144,625</u>	<u>1,584,625</u>
	<u>\$8,765,000</u>	<u>\$4,260,442</u>	<u>\$13,025,442</u>

Note Payable

\$4,000,000 Line of Credit note dated January 17, 2012, secured by the full faith, credit and resources of the City, payable in a one time payment of \$4,000,000 on July 2013, plus interest paid monthly at a rate 250 basis points above the LIBO rate. (Current rate .88%)	<u>\$4,000,000</u>
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CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

Revenue bond ordinances of the Environmental Services Utility Fund require that certain reserve accounts be maintained at designated minimum dollar amounts or that specific monthly transfers be made to such accounts. At April 30, 2012, the amounts restricted for such accounts in the Utility Fund are as follows:

Operation and maintenance	\$ 782,145
Bond reserve	1,464,700
Reserve and replacement	500,000
Bond and interest	<u>72,473</u>
	<u>\$2,819,318</u>

Activity in the reserve accounts during the year ended April 30, 2012 was as follows:

Environmental Services Utility Fund:	
Restricted balance as of May 1, 2011	\$2,759,653
Transfer required by ordinance	929,263
Revenue bond principal	(440,000)
Revenue bond interest	<u>(429,598)</u>
Restricted balance as of April 30, 2012	<u>\$2,819,318</u>

The reserve account balances are represented in the Utility Fund as restricted cash and investments. At April 30, 2012 the above amounts were sufficient to meet the minimum balance or reserve account transfer requirements of the revenue bond ordinances.

The Utility covenants in the bond ordinance to establish, maintain and collect at all times fees, charges and rates for the use and service of the system, sufficient at all times to pay operating and maintenance costs, to pay the principal of and interest on all outstanding revenue bonds of the City which by their terms are payable solely from the revenues, to provide net revenues in each fiscal year in the amount of not less than 120 percent of the current debt service requirement for all outstanding bonds for such fiscal year, and to the extent necessary after the application of the net revenues available pursuant to the rate covenant described in this paragraph, such additional amounts as may be required to provide an adequate depreciation fund, and to provide for the creation and maintenance of the respective reserve accounts described above. "Current Debt Service Requirement" as used in this paragraph means the amount required to be credited under the bond ordinance to the bond and interest account in a given fiscal year. "Revenues" as defined in the bond ordinance and as used in the covenant calculation does not include proceeds from the sale of capacity. During the year ended April 30, 2012, the Utility did comply with this rate covenant. The covenant calculation is included on page 112.

Required Bond Indenture Disclosures

Insurance Coverage - The plant, buildings and contents of the Kankakee Environmental Services Utility were insured at April 30, 2012 for \$7,681,264 under the City of Kankakee master policy with the U.S. Specialty Insurance Company. The Utility is also included on the master umbrella liability policy for the City of Kankakee, Illinois, with the U.S. Specialty Insurance Company. The master policy includes the following significant coverages:

	<u>Policy limits</u>
Property damage	\$30,744,404
General liability	10,000,000
Auto liability	6,000,000

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 10 - LONG-TERM DEBT OBLIGATIONS (Continued):

Customer and Flow Information - Most of the customers have a water meter; the number of unmetered customers is negligible. As of April 30, 2012 there were 8,001 customers providing sewer charge revenue as follows:

	<u>Number of Customers</u>	<u>Sewer Charges</u>
Residential and commercial	7,957	\$3,718,157
Industrial and institutional	<u>44</u>	<u>5,708,656</u>
Total	<u>8,001</u>	<u>\$9,426,813</u>

User Rates - The rates in effect at April 30, 2012 were as follows:

Flow charge (100 cu. ft.)	\$ 4.00
BOD surcharge (lb.)	.40
SS surcharge (lb.)	.40
FOG surcharge (lb.)	.40
GW contaminated (100 cu. ft.)	9.00
Fixed charge (month)	27.50
IPP charges	3%

Outstanding Bond Issues - 2009 bonds due May 1, 2011 to 2019 are noncallable in advance of maturity. 2009 bonds due May 1, 2020 to 2024 are callable on or after May 1, 2019. 2010A and B bonds due May 1, 2011 to 2019 are noncallable in advance of maturity. 2010A and B bonds due May 1, 2020 to 2030 are callable on or after May 1, 2020.

NOTE 11 - PROPERTY TAXES:

Property taxes are levied each year on all taxable real property located in the City. The City must file its tax levy ordinance by the last Tuesday of December of each year. The owner of real property on January 1 (lien date) in any year is liable for taxes of that year. Property taxes are collected by the Kankakee County Collector who remits to the City its share of the collection. Taxes levied for calendar year 2010 were due, payable, and collected in two installments in June and September 2011.

Revenue for property taxes is recognized in the governmental funds in the year for which the taxes are intended to finance and the funds are available. The City considers property tax revenue to be available if it is collected during the current year or within 60 days after year end. Property taxes levied for calendar year 2010 are intended to finance the fiscal year 2012 expenditures. Accordingly, the City recognized revenue during the year ended April 30, 2012 for collections from the calendar year 2010 levy if it was received by June 30, 2012. Property taxes levied for calendar year 2011, which will be collected in fiscal year 2013, are recorded as receivables and deferred revenue as of April 30, 2012. The City and its component units have not deferred property taxes receivable based on the availability criteria at April 30, 2012. The 2012 tax levy, which attaches as an enforceable lien on property as of January 1, 2012, has not been recorded as a receivable as of April 30, 2012, as the tax has not yet been levied by the City and will not be levied until December 2012, and therefore, the levy is not measurable at April 30, 2012.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 12 - INTERFUND TRANSFERS:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>			<u>Total</u>
	<u>General</u>	<u>Kankakee Environmental Service Utility</u>	<u>Nonmajor Governmental</u>	
General		\$1,200,000		\$1,200,000
Kankakee Environmental Services Utility	\$120,000		\$ 940,203	1,060,203
Nonmajor Governmental	<u>21,429</u>		<u>1,789,550</u>	<u>1,810,979</u>
	<u>\$141,429</u>	<u>\$1,200,000</u>	<u>\$2,729,753</u>	<u>\$4,071,182</u>

The following paragraphs provide information concerning the various interfund transfers for the year ended April 30, 2012:

The General Fund transferred \$1,200,000 to the Kankakee Environmental Services Utility to provide for the operations of the Department of Public Works.

The Kankakee Environmental Services Utility Fund made the following transfers:

Transferred \$120,000 to the General Fund as payment in lieu of taxes.

Transferred \$940,203 to the Debt Service Fund to provide for bond and interest retirement.

The Park and Senior Aides Funds were closed during the year and transferred excess cash of \$19,128 and \$2,301, respectively, to the General Fund.

The following Tax Increment Financing Districts transferred funds to the Debt Service Fund to provide for bond and interest retirement:

Tax Increment Financing District No. 1	\$481,525
Tax Increment Financing District No. 5	127,623
Tax Increment Financing District No. 6	259,963
Tax Increment Financing District No. 7	37,908
Tax Increment Financing District No. 8	621,118

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 12 - INTERFUND TRANSFERS (Continued):

Tax Increment Financing District No. 2 transferred \$232,000 to Tax Increment Financing District No. 1 upon the closing Tax Increment Financing District No. 2, to write-off an outstanding interfund receivable for costs incurred on behalf of Tax Increment Financing District No. 1 in prior years.

The General Obligation Bonds, Series 2003A Fund transferred \$24,906 to the General Obligation Bonds, Series 2011 Fund from its excess cash upon the refunding of the 2003A bonds.

The General Obligation Bonds, Series 2003B Fund transferred \$4,507 to the General Obligation Bonds, Series 2012 Fund from its excess cash upon the refunding of the 2003B bonds.

NOTE 13 - DEFERRED REVENUE:

The balance in the deferred revenues at April 30, 2012, is composed of the following elements:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental Funds:		
General Fund:		
Property taxes receivable		\$ 6,288,543
Unexpended grant receipts		197,007
Advance collection of		
licenses and fees		134,233
Franchise fee receivable	\$ 21,353	
Nonmajor Governmental Funds:		
Property taxes receivable		7,926,847
Loans receivable net of		
allowance for uncollectible amounts	537,861	
Total governmental funds	<u>\$559,214</u>	<u>\$14,546,630</u>
Component Units:		
Library Fund:		
Property taxes receivable		\$1,691,870
Unexpended grant receipts		1,260
		1,693,130
Special Service Area # 1:		
Property taxes receivable		127,900
Total component units		<u>\$1,821,030</u>

NOTE 14 - RELATED PARTY TRANSACTIONS:

The following describes transactions between the City and its component units for the year ended April 30, 2012:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects Fund	Library Fund	\$212,382	To provide for capital projects at the Library.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 15 - SEGMENT INFORMATION:

Kankakee Environmental Services Utility - Accounts for the operation of the City sewer and solid waste systems. The City has issued revenue bonds to support its sewer utility activities. The fund financial statements report the Utility as a major fund. All segment report requirements are included in the fund financial statements.

NOTE 16 - FEDERAL PROGRAM AUDITS:

The City participates in a number of federally assisted grant programs, principal of which are the Community Development Block Grant, HOME Grants, Lead-based Paint Hazard Control Program and various other public safety grant programs. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of April 30, 2012, significant amounts of grant expenditures have not been audited by the grantors, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

NOTE 17 - COMMITMENTS:

Lease Commitments

In July 1988, the City leased the Kankakee Dam for 60 years from the Illinois Department of Conservation for the purpose of constructing, operating and maintaining the Hydroelectric Plant. The annual lease payment is based on the number of kilowatt hours of electricity produced by the Hydroelectric Plant plus \$1,200 each year. The annual lease payment for the year ended April 30, 2012 was \$3,687.

Kankakee Environmental Services Utility entered into a lease agreement with Space Center Chicago, Inc. on October 5, 2001 to lease 34,922 square feet of office and warehouse space. The lease was scheduled to commence on December 15, 2001, and continue for a period of 240 months. The actual commencement date was April 2002. Rent consists of a base amount plus additional rent composed of operating expenses, amortization of tenant improvements and Common Area Maintenance charges. Rent expense for the year ended April 30, 2012 was \$101,807.

Kankakee Environmental Services Utility entered into a lease agreement with the Village of Manteno on February 20, 2006, to provide the means and use of the City's ability to transport and treat wastewater generated by the Village of Manteno and provide for the compensation by Manteno for the rights to utilize the collection and treatment capacity owned by Kankakee. The Village of Manteno will lease the transport and treatment capacity of 1,000,000 gallons per day, (365,000,000 gallons annually) from the City for a period of 20 years for a sum of \$150,000 per year. The annual lease payment received for the year ended April 30, 2012 was \$150,000.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 17 - COMMITMENTS (Continued):

Kankakee Environmental Services Utility entered into an intergovernmental agreement with the Village of Chebanse on April 5, 2004, to connect to the City's sewer system for providing sanitary sewer service for the residents of Chebanse. For the year ended April 30, 2012, the Utility received \$ 143,876 based upon the number of connections established for the residents of Chebanse. For the year ended April 30, 2012, the Utility received \$143,876 based upon the number of connections established for the residents of Chebanse.

Construction Commitments

The City has several active construction projects as of April 30, 2012. These projects and the City's commitment with contractors at April 30, 2012 are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Governmental activities:		
Street overlay project	<u>\$49,380</u>	<u>\$53,185</u>
Business-type activities:		
Sewer inflow project	<u>\$135,985</u>	<u>\$ 9,200</u>
Stone Street lift station	<u>315,650</u>	<u>19,406</u>
	<u>\$451,635</u>	<u>\$28,606</u>

NOTE 18 - INVESTMENT IN JOINT VENTURE:

Kankakee River Metropolitan Agency

Effective May 1, 1996, pursuant to a Municipal Joint Sewage Treatment Agency Intergovernmental Agreement, the City of Kankakee and the villages of Aroma Park, Bourbonnais, and Bradley agreed to the establishment of an independent agency with authority to operate the Regional Wastewater Treatment Facility (RWTF), raise revenue and exercise other powers as necessary. The independent agency created is the Kankakee River Metropolitan Agency (KRMA). The agreement requires a seven member board comprised of four persons appointed by the Mayor of the City of Kankakee and one person appointed by the Mayor of each village. A majority of five affirmative votes is required to modify this agreement, modify the methodology or the amount of user charges, approve bond issues or any appropriation in excess of \$50,000 or to change the membership of the Agency. On April 22, 1999, KRMA acquired ownership of the RWTF.

As of April 30, 2012, the City has recorded in the Environmental Services Utility Fund an investment in the joint venture of \$(465,850) relative to its investment in KRMA and a due to joint venture in the amount of \$173,098 which is reflected in accounts payable.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 18 - INVESTMENT IN JOINT VENTURE:

Financial statements of KRMA can be obtained from the City's accounting department. Pertinent financial information for the joint venture as of April 30, 2012 is as follows:

Statement of net assets:	
Current assets	\$ 4,057,765
Restricted assets and bond issuance costs	4,026,075
Capital assets, net	<u>25,385,581</u>
Total assets	<u>33,469,421</u>
 Current liabilities	 10,996,753
Long-term liabilities	<u>19,530,703</u>
Total liabilities	<u>30,527,456</u>
 Total net assets	 \$ <u>2,941,965</u>
Statement of revenues, expenses and changes in net assets:	
Operating revenues	\$ 7,657,545
Operating expenses	(6,977,522)
Other income (expense), net	<u>(951,712)</u>
 Change in net assets	 (271,689)
 Ownership percentage	 <u>63.03%</u>
 Utility's share of change in net assets (equity interest in joint venture income)	 \$ <u>(171,250)</u>

An explosion at the facility on December 27, 2010 destroyed a building and certain plant equipment. KRMA has recorded a \$6,000,000 estimated insurance recovery related to the fair value of the loss assets based on consultant's estimates. The insurance company and management have not yet settled on a final amount. This estimate could significantly change.

Because of the explosion, KRMA properly submitted a claim to its insurer but is not anticipating receiving insurance proceeds until 2013. Therefore, KRMA required funding to facilitate repairs and reconstruction work at its facility before insurance proceeds arrived. KRMA entered into an agreement with the City on July 19, 2011, requiring the City to establish a \$2,500,000 line of credit at a local bank on behalf of KRMA. This agreement required KRMA to satisfy any balance due on the line of credit and pay all costs incurred by the City in establishing this line of credit. On January 17, 2012, the City and KRMA extended this line of credit to a maximum of \$5,000,000. The line of credit at April 30, 2012, had an outstanding balance of \$4,000,000.

As of April 31, 2012, the City has recorded in the Kankakee Environmental Services Utility Fund a note payable of \$4,000,000 and a corresponding due from joint venture in the same amount.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 18 - INVESTMENT IN JOINT VENTURE (Continued):

Wi-Fi Kankakee, LLC

Effective May 15, 2006, pursuant to a joint operating agreement, the City and *Kankakee Daily Journal* (KDJ), a local newspaper company, formed a limited liability company named Wi-Fi Kankakee, LLC (Wi-Fi), with an equal ownership of 50 percent each for the City and KDJ. The purpose of Wi-Fi is to design, acquire, establish, install, operate, maintain and own a system by which authorized individual users (residents, businesses, visitors) may obtain and use, within the boundaries of the City, wireless access to the internet. The agreement requires each item of Wi-Fi's income, gain, loss, deduction and credit be allocated equally to the City and KDJ.

As of April 30, 2012, the City has recorded in the Environmental Services Utility Fund an investment in joint venture of \$(7,438), relative to its investment in Wi-Fi.

Audited financial statements of Wi-Fi are not available. At April 30, 2012, the City has recorded in the Environmental Services Utility Fund an equity interest in joint venture income (loss) of Wi-Fi in the amount of \$(6,736).

NOTE 19 - RISK MANAGEMENT AND LITIGATION:

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City utilizes conventional outside insurance to cover its exposure to such liabilities and worker's compensation claims with standard retention levels. In addition, a safety committee works at prevention activities to keep risk exposure at a minimum level through employee education and monitoring of risk control activities. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City is a defendant in various lawsuits. Most recently, the City has been named in two lawsuits in regards to its sales tax incentive agreements. See Note 20 for additional details about the agreements. The City has also been named in a lawsuit in regards to a contract for services dispute. Although the outcome of these lawsuits is presently not determinable, in the opinion of the City's Attorney and management, the resolution of these matters will not materially affect the financial condition of the City or any of the individual funds. Therefore, the General Fund contains no provision for estimated claims.

NOTE 20 - SALES TAX INCENTIVES:

The City has entered into various sales tax sharing agreements with several retail firms to generate additional revenue for the General Fund. These tax sharing programs are based on the retail firm's willingness to site a purchasing and/or a sales approval office within the boundaries of the City. These agreements provide for rebating a portion of the sales taxes generated on the transactions conducted within the City by the partnering firm. During the fiscal year ended April 30, 2012, \$11,843,171 in sales taxes were rebated under these agreements. At April 30, 2012, the City owed \$4,268,389 in sales tax incentives to various firms which are reflected in accounts payable in the General Fund.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 21 - DEFICIT FUND BALANCE:

At April 30, 2012, the following funds had a deficit fund balance. This deficit is not in violation of any state law.

Tax Increment Financing District No. 6 Fund	\$ 22,972
General Obligation Bonds, Series 2008	3,142
General Obligation Bonds, Series 2011	120,438

NOTE 22 – RESTATEMENT OF FUND EQUITY/NET ASSETS:

The City has restated fund balance and net assets for its fund financial statements and government-wide financial statements as of May 1, 2011, to correct the sales tax revenue recognized and related sales tax incentives expended in the prior year and to remove assets erroneously capitalized in the prior year.

Fund Statements

	<u>General Fund</u>
Fund balance / Net assets, May 1, 2011, as previously reported	<u>\$1,560,447</u>
Restated for:	
Sales tax revenue	1,462,218
Sales tax incentives	<u>(1,236,636)</u>
Prior period adjustment	<u>225,582</u>
Fund balance, May 1, 2011, restated	<u>\$1,786,029</u>

Government-Wide Financial Statements

	<u>Governmental Activities</u>
Net assets, May 1, 2011, as previously reported	<u>\$10,619,917</u>
Restated for:	
Sales tax revenue	1,462,218
Sales tax incentives	<u>(1,236,636)</u>
Capital assets, net of accumulated depreciation	<u>(403,843)</u>
Prior period adjustment	<u>(178,261)</u>
Net assets, May 1, 2011, restated	<u>\$10,441,656</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS
April 30, 2012

NOTE 23 – BOND REFUNDING:

Refunding of General Obligation Bonds, Series 2003A

On October 12, 2011 the City issued \$2,035,000 of General Obligation Bonds, Series 2011D, with an average interest rate of 2.0 percent from which \$2,052,500 were used to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of current refunding \$2,000,000 of General Obligation Bonds, Series 2003A with an average interest rate of 6.08 percent.

As a result of the above refunding, the refunded bonds were retired and liability was removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$52,500. This amount is being netted against the new debt and amortized over the lives of the refunded debt, which is shorter than the life of the new debt issued. The City decreased its total debt service requirements (difference between the cash flow requirements to service old and new debt) over the next 2 years by \$64,625, which resulted in an economic loss (difference between the present value of the debt service payments on the old and new debt) of \$65,067.

Refunding of General Obligation Bonds, Series 2003B

On March 13, 2012, the City issued \$2,645,000 of General Obligation Bonds, Series 2012, with an average interest rate of 2.42 percent from which all the proceeds were used to provide resources to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of the advance refunding of \$2,530,000 of General Obligation Bonds, Series 2003B with an average interest rate of 5.48 percent.

As a result of the above refunding, the refunded bonds were retired and the liability was removed from the governmental activities column of the statements of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$129,884. This amount is being netted against the new debt and amortized over the lives of the refunded debt, which is the same as the life of the new debt issued. The City decreased its total debt service requirements (difference between the cash flow requirements to service old and new debt) over the next 7 years by \$232,463, which resulted in an economic gain (difference between the present value of the debt service payment on the old and new debt) of \$213,909.

NOTE 24 – SUBSEQUENT EVENTS:

On October 11, 2012, the City of Kankakee issued \$3,915,000 General Obligation Bonds, Series 2012A, which matures serially January 2014 – 2024 at various interest rates. The purpose of these bonds is for the advanced refunding of \$3,745,000 of General Obligation Bonds, Series 2005.

The City of Kankakee is also in the process of issuing \$3,790,000 General Obligation Bonds, Series 2012B which is projected to mature serially January 2014 – 2020 at various interest rates. The intended purpose of these bonds is for the current refunding of \$3,825,000 of General Obligation Bonds, Series 2004. It is expected the bonds will be available on November 1, 2012.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the year ended April 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Over (Under)
Revenues:				
Taxes	\$ 35,712,112	\$ 35,712,112	\$ 31,247,666	\$ (4,464,446)
Licenses, permits and fees	1,181,500	1,181,500	1,368,735	187,235
Charges for services	314,500	314,500	199,573	(114,927)
Fines and penalties	482,500	482,500	369,452	(113,048)
Intergovernmental	416,948	416,948	806,651	389,703
Interest			1,232	1,232
Miscellaneous	182,058	182,058	882,243	700,185
Total revenues	38,289,618	38,289,618	34,875,552	(3,414,066)
Expenditures:				
Current:				
General government	5,623,233	5,623,233	5,288,153	(335,080)
Public safety	15,660,774	15,660,774	16,654,352	993,578
Economic development	16,115,125	16,115,125	11,844,806	(4,270,319)
Debt Service:				
Principal retirement	10,000	10,000	10,000	-0-
Total expenditures	37,409,132	37,409,132	33,797,311	(3,611,821)
Excess (deficiency) of revenues over expenditures	880,486	880,486	1,078,241	197,755
Other financing sources (uses):				
Transfers:				
From other funds	320,000	320,000	141,429	(178,571)
To other funds	(1,200,000)	(1,200,000)	(1,200,000)	-0-
Total other financing sources (uses)	(880,000)	(880,000)	(1,058,571)	(178,571)
Net change in fund balance	\$ 486	\$ 486	19,670	\$ 19,184
Fund balance, May 1, 2011			1,560,447	
Prior period adjustment			225,582	
Fund balance, May 1, 2011, restated			1,786,029	
Fund balance, April 30, 2012			\$ 1,805,699	

CITY OF KANKAKEE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULE
April 30, 2012

NOTE 1 - BUDGETARY ACCOUNTING:

The City adopts annual budgets for the General Fund, Band Fund, Park Fund, Illinois Municipal Retirement Fund, Special Service Area No. 2 and Special Service Area No. 3. For Community Development Agency, Senior Aides, Motor Fuel Tax, and Tax Increment Financing District funds, legally authorized non-appropriated budgets are utilized to control expenditures on a project (or designated purpose) basis and are carried forward each year until the project is completed or the grant award has been expended. No legally adopted budgets are prepared for capital projects funds and debt service funds. Expenditures for capital project funds are controlled on a project basis. Expenditures for debt service funds are controlled through general obligation bonds' indenture provisions. Budgets for enterprise funds serve as a spending guide for the City and do not constitute legally binding limitations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the City Council's budget committee submits to the City Council a proposed operating budget for the fiscal year which had commenced May 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to August 1, the budget is legally enacted through passage of the annual appropriation ordinance. This ordinance places legal restrictions on expenditures at the department level for the General Fund and at the fund level for the Special Revenue Funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.
4. Revenues are budgeted by source. Although legal restrictions on expenditures are established at the department level for the General Fund and at the fund level for Special Revenue Funds, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets such as personal services, materials and supplies, capital outlay, contractual and debt service. Expenditures are budgeted by fund and department and classified by function, activity and/or program. Management may transfer budgeted amounts between line items within a department in the General Fund and within a fund in the Special Revenue Funds without the approval of the City Council.
5. All budgets are adopted on a modified accrual basis. Unencumbered and unexpended appropriations lapse at fiscal year end.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND
April 30, 2012

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2011	\$ 15,490,536	\$ 20,485,433	\$ 4,994,897	75.62%	\$ 5,818,925	85.84%
2010	14,660,404	19,042,169	4,381,765	76.99%	5,853,164	74.86%
2009	14,047,445	17,989,344	3,941,899	78.09%	5,695,408	69.21%
2008	14,024,803	17,070,490	3,045,687	82.16%	5,655,415	53.85%
2007	16,700,977	16,228,325	(472,652)	102.91%	5,448,065	(8.68%)
2006	15,930,997	16,047,139	116,142	99.28%	5,300,924	2.19%
2005	15,029,323	14,644,035	(385,288)	102.63%	5,175,035	(7.45%)
2004	13,670,956	13,269,673	(401,283)	103.02%	5,070,450	(7.91%)
2003	14,944,651	13,991,022	(953,629)	106.82%	5,311,719	(17.95%)
2002	14,741,685	12,766,158	(1,975,527)	115.47%	5,356,081	(36.88%)

On a market value basis, the actuarial value of assets as of December 31, 2011, is \$14,702,093. On a market basis, the funded ratio would be 71.77%.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
POLICE PENSION FUND
April 30, 2012

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2011	\$ 15,528,178	\$ 47,690,763	\$ 32,162,585	32.56%	\$ 4,694,622	685.09%
2010	13,443,659	40,648,322	27,204,663	33.07%	4,888,208	556.54%
2009	11,900,298	35,675,410	23,775,112	33.36%	4,783,798	496.99%
2008	12,940,099	33,676,363	20,736,264	38.42%	4,367,019	474.84%
2007	12,567,316	31,376,263	18,808,947	40.05%	4,189,099	449.00%
2006	11,760,602	30,146,624	18,386,022	39.01%	4,088,956	449.65%
2005	11,178,721	27,683,110	16,504,389	40.38%	3,689,544	447.33%
2004	10,839,066	26,207,141	15,368,075	41.36%	3,697,174	415.67%
2003	10,140,012	24,391,727	14,251,715	41.57%	3,372,609	422.57%
2002	10,452,757	23,056,893	12,604,136	45.33%	3,395,319	371.22%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
FIREFIGHTERS' PENSION FUND
April 30, 2012

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2011	\$ 8,820,435	\$ 41,794,307	\$ 32,973,872	21.10%	\$ 3,680,655	895.87%
2010	8,284,059	37,037,202	28,753,143	22.37%	3,634,232	791.18%
2009	7,716,547	34,495,541	26,778,994	22.37%	3,666,627	730.34%
2008	10,207,462	31,736,197	21,528,735	32.16%	2,973,182	724.10%
2007	10,578,956	30,541,100	19,962,144	34.64%	3,008,348	663.56%
2006	10,236,367	29,094,938	18,858,571	35.18%	2,866,921	657.80%
2005	10,147,331	27,661,230	17,513,899	36.68%	2,673,932	654.99%
2004	10,431,881	26,119,708	15,687,827	39.94%	2,427,257	646.32%
2003	10,052,187	26,192,190	16,140,003	38.38%	2,352,187	686.17%
2002	10,819,597	25,431,162	14,611,565	42.54%	2,299,154	635.52%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN
April 30, 2012

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry-Age Normal (b)	Funded Ratio (a/b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Active Members' Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2012	\$ -0-	\$ 5,835,321	0.00%	\$ 5,835,321	\$ 14,194,202	41.11%
2011	-0-	5,835,321	0.00%	5,835,321	14,375,604	40.59%
2010	-0-	3,220,549	0.00%	3,220,549	14,145,833	22.77%
2009	-0-	3,220,549	0.00%	3,220,549	12,852,862	25.06%

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009. Information for prior years is not available.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND
April 30, 2012

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 1,968,889	\$ 1,968,889	100.00%
2011	1,794,582	1,794,582	100.00%
2010	1,417,545	1,417,545	100.00%
2009	1,283,420	1,283,420	100.00%
2008	1,234,017	1,234,017	100.00%
2007	1,104,725	1,104,725	100.00%
2006	1,035,423	1,035,423	100.00%
2005	954,929	954,259	99.93%
2004	856,688	856,688	100.00%
2003	701,806	701,806	100.00%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREFIGHTERS' PENSION FUND
April 30, 2012

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 2,117,020	\$ 2,117,020	100.00%
2011	2,046,132	2,046,132	100.00%
2010	1,518,183	1,518,183	100.00%
2009	1,400,985	1,400,985	100.00%
2008	1,303,662	1,303,662	100.00%
2007	1,222,675	1,222,675	100.00%
2006	1,082,677	1,082,677	100.00%
2005	1,085,807	1,090,926	100.47%
2004	984,722	984,722	100.00%
2003	874,715	887,458	101.46%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
April 30, 2012

<u>Year Ended April 30,</u>	<u>Annual Required Contribution (ARC)</u>	<u>Employer Contributions</u>	<u>Percentage Contributed</u>
2012	\$ 363,074	\$ 145,422	40.05%
2011	202,103	112,792	55.81%
2010	202,103	112,792	55.81%
2009	204,545	112,792	55.14%

The City implemented GASB Statement No. 45 for the fiscal year ended April 30, 2009.
Information for prior years is not available.

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**CITY OF KANKAKEE, ILLINOIS
MAJOR FUNDS**

General Fund

Accounts for all financial resources traditionally associated with governments which are not required to be accounted for in another fund.

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CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES AND COMPARISON TO BUDGET
GENERAL FUND
For the year ended April 30, 2012
(With comparative totals for 2011)

	Budgeted Amounts		2012	2011
	Original	Final	Actual	Actual (Restated)
Taxes:				
Property taxes	\$ 6,033,033	\$ 6,033,033	\$ 5,946,020	\$ 5,334,726
State income tax	2,202,960	2,202,960	2,242,843	2,143,382
Local use tax	375,000	375,000	401,741	395,015
State replacement income tax	720,000	720,000	644,096	730,290
Illinois sales tax	22,382,119	22,382,119	18,156,743	21,276,641
Utility taxes	3,999,000	3,999,000	3,856,223	3,630,413
Total taxes	35,712,112	35,712,112	31,247,666	33,510,467
Licenses, permits and fees:				
Business licenses	120,000	120,000	124,500	119,000
Other licenses	60,000	60,000	24,463	32,318
Franchise fees	275,000	275,000	346,441	308,177
Ambulance fees	500,000	500,000	497,449	535,561
Other permits and fees	226,500	226,500	375,882	314,339
Total licenses, permits and fees	1,181,500	1,181,500	1,368,735	1,309,395
Charges for services:				
Environmental Services Utility	188,000	188,000	57,940	70,920
Department of Public Works				69,744
Community Development Agency	89,000	89,000	100,000	100,000
Fire Department	17,500	17,500	27,475	11,950
Police Department	20,000	20,000	14,158	44,120
Total charges for services	314,500	314,500	199,573	296,734
Fines and penalties	482,500	482,500	369,452	404,835
Intergovernmental:				
Kankakee River Metropolitan Agency	50,000	50,000	50,000	50,000
Grants from various governmental agencies	366,948	366,948	756,651	668,426
Total intergovernmental	416,948	416,948	806,651	718,426
Interest			1,232	2,404
Miscellaneous revenues	182,058	182,058	882,243	818,126
Total revenues	\$ 38,289,618	\$ 38,289,618	\$ 34,875,552	\$ 37,060,387

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND
For the year ended April 30, 2012
(With comparative totals for 2011)

	Budgeted Amounts		2012	2011
	Original	Final	Actual	Actual (Restated)
General city government:				
Council	\$ 160,500	\$ 160,500	\$ 143,888	\$ 131,678
Mayor	100,783	100,783	110,117	115,902
Commissions and boards	48,200	48,200	14,057	20,811
City clerk	148,400	148,400	126,160	130,791
Central services	483,700	483,700	287,311	203,624
Collection	62,600	62,600	23,571	72,246
Computer operations	30,500	30,500	28,865	20,967
Corporate counsel	191,000	191,000	291,390	241,631
Adjudication	125,700	125,700	116,634	119,922
City planning	41,200	41,200	3,810	8,876
Public buildings and grounds	125,000	125,000	129,688	212,671
Community promotion	101,300	101,300	111,319	86,504
Human relations	96,450	96,450	94,478	100,441
Group insurance	1,500,000	1,500,000	1,483,258	2,017,227
Liability and workers compensation insurance	1,777,200	1,777,200	1,409,726	1,614,984
Unemployment tax	100,000	100,000	41,878	33,242
Transportation support	74,000	74,000	76,003	72,529
Other	456,700	456,700	796,000	650,981
Total general city government	5,623,233	5,623,233	5,288,153	5,855,027
Public safety - police department:				
Administration and operations	5,511,420	5,511,420	6,533,334	5,999,986
Training	44,800	44,800	26,222	43,341
Records	421,650	421,650	304,386	395,152
Communications	722,441	722,441	720,051	685,511
Detention and custody	23,900	23,900	55,289	55,721
Pension contribution	1,968,889	1,968,889	1,968,889	1,794,582
Total public safety - police department	8,693,100	8,693,100	9,608,171	8,974,293
Public safety - fire department:				
Administration	562,446	562,446	738,092	713,623
Training	98,204	98,204	93,049	85,457
Alarm and communications system	11,600	11,600	1,329	5,405
Fire prevention	241,248	241,248	243,629	226,344
Fire fighting force	2,109,228	2,109,228	2,145,397	2,160,190
Emergency service	1,066,043	1,066,043	947,831	1,042,206
Pension contribution	2,117,020	2,117,020	2,117,020	2,046,132
Total public safety - fire department	6,205,789	6,205,789	6,286,347	6,279,357

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND
(Continued)
For the year ended April 30, 2012
(With comparative totals for 2011)

	Budgeted Amounts		2012	2011
	Original	Final	Actual	Actual (Restated)
Public safety - code enforcement:				
Property maintenance	\$ 558,729	\$ 558,729	\$ 575,717	\$ 601,790
Building safety	173,156	173,156	156,462	142,559
Total public safety - code enforcement	<u>731,885</u>	<u>731,885</u>	<u>732,179</u>	<u>744,349</u>
Public safety:				
Animal control	<u>30,000</u>	<u>30,000</u>	<u>27,655</u>	<u>28,016</u>
Economic development:				
Sales tax incentives	16,115,125	16,115,125	11,843,171	14,799,668
Other incentives			1,635	
	<u>16,115,125</u>	<u>16,115,125</u>	<u>11,844,806</u>	<u>14,799,668</u>
Debt service:				
Principal retirement	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total expenditures	<u>\$ 37,409,132</u>	<u>\$ 37,409,132</u>	<u>\$ 33,797,311</u>	<u>\$ 36,690,710</u>

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**CITY OF KANKAKEE, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Band Fund

Accounts for the revenues and expenditures related to the City's financial support provided to the Kankakee Municipal Band.

Park Fund

Accounts for the revenues and expenditures necessary to maintain the existing City park facilities.

Illinois Municipal Retirement Fund

Accounts for the expenditures related to the state-administered retirement system which is available to general service employees and which is financed through taxation and contributions from employees, and to the City (employer) FICA, Medicare, and state unemployment taxes, all of which are financed through taxation.

Special Service Area No. 2

Accounts for the revenues and expenditures related to the maintenance and repairs of ornamental street lights in the Riverview Historic District.

Special Service Area No. 3

Accounts for the revenues and expenditures related to the Coachlight Square lighting improvement project which was financed through local borrowing and property taxes.

Special Service Area No. 5

Accounts for the revenues and expenditures of maintenance and repairs to the street and roadway infrastructure in the East Side Business District.

Community Development Agency

Accounts for the revenues and expenditures of the Community Development Block Grant Program and various other federal grant programs.

Senior Aides Program Fund

Accounts for the federal revenues and related expenditures of the Senior Community Service Employment Program administered by Senior Service America, Inc.

Tax Increment Financing Districts Nos. 1, 2, 3, 4, 5, 6, 7 and 8

TIF Districts No. 1, 2, 3, 4, 5, 6, 7 and 8 are trust funds established to finance redevelopment project costs in connection with various "blighted redevelopment project areas" throughout the City. The project areas are redeveloped through the use of incremental property tax revenues generated by related redevelopment projects.

**CITY OF KANKAKEE, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS**

Motor Fuel Tax Fund

Accounts for the expenditures related to state-approved projects which are financed from the local share of the state gasoline tax as collected and distributed by the State of Illinois.

DEBT SERVICE FUNDS

General Obligations Bonds

Each series of general obligation bonds issued is set apart as an individual fund that is used to account for the accumulation of resources for the payment of debt principal, interest and related costs of each respective issue.

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2012

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 3,018,004	\$ 294,984	\$ 3,312,988
Receivables, less allowance for uncollectible amounts:			
Property taxes	2,999,900	4,926,947	7,926,847
Due from other governmental agencies	493,221		493,221
Due from other funds	22,434	153,454	175,888
Due from component units	9,432		9,432
Accounts receivable	538,664		538,664
 Total assets	 <u>\$ 7,081,655</u>	 <u>\$ 5,375,385</u>	 <u>\$12,457,040</u>
Liabilities			
Accounts payable	\$ 174,646		\$ 174,646
Accrued wages payable	30,752		30,752
Due to other funds	530,115	\$ 146,458	676,573
Due to component units	17,536		17,536
Deferred revenue	3,537,761	4,926,947	8,464,708
 Total liabilities	 <u>4,290,810</u>	 <u>5,073,405</u>	 <u>9,364,215</u>
Fund Balance			
Restricted for:			
Debt service		425,560	425,560
Street maintenance programs	1,258,897		1,258,897
Economic development	886,689		886,689
Culture and recreation	17,991		17,991
Retirement obligations	406,012		406,012
Community development	244,228		244,228
Unassigned (deficit)	(22,972)	(123,580)	(146,552)
 Total fund balance	 <u>2,790,845</u>	 <u>301,980</u>	 <u>3,092,825</u>
 Total liabilities and fund balance	 <u>\$ 7,081,655</u>	 <u>\$ 5,375,385</u>	 <u>\$12,457,040</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended April 30, 2012

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Revenues:			
Property taxes	\$ 2,805,080	\$ 4,788,899	\$ 7,593,979
Special assessments		291,000	291,000
Intergovernmental	3,205,001		3,205,001
Interest income	6,707	95,468	102,175
Miscellaneous	359		359
Total revenues	<u>6,017,147</u>	<u>5,175,367</u>	<u>11,192,514</u>
Expenditures:			
Current:			
General government	664,910		664,910
Highways and streets	382,596		382,596
Community development	2,206,635		2,206,635
Culture and recreation	15,000		15,000
Economic development	531,830		531,830
Debt service:			
Principal retirement		4,817,983	4,817,983
Interest and fiscal charges	5,211	2,923,945	2,929,156
Total expenditures	<u>3,806,182</u>	<u>7,741,928</u>	<u>11,548,110</u>
Excess (deficiency) of revenues over expenditures	<u>2,210,965</u>	<u>(2,566,561)</u>	<u>(355,596)</u>
Other financing sources (uses):			
Issuance of refunding bonds		4,680,000	4,680,000
Premium on issuance of refunding bonds		110,185	110,185
Payment to refunded debt escrow		(4,712,384)	(4,712,384)
Transfers:			
From other funds	232,000	2,497,753	2,729,753
To other funds	(1,781,566)	(29,413)	(1,810,979)
Total other financing sources (uses)	<u>(1,549,566)</u>	<u>2,546,141</u>	<u>996,575</u>
Net change in fund balances	661,399	(20,420)	640,979
Fund balance, May 1, 2011	<u>2,129,446</u>	<u>322,400</u>	<u>2,451,846</u>
Fund balance, April 30, 2012	<u>\$ 2,790,845</u>	<u>\$ 301,980</u>	<u>\$ 3,092,825</u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
April 30, 2012

	<u>Band Fund</u>	<u>Park Fund</u>	<u>Illinois Municipal Retirement Fund</u>	<u>Special Service Area No. 2</u>	<u>Special Service Area No. 3</u>
Assets					
Cash and investments	\$ 17,991		\$ 451,674	\$ 30,802	\$ 46,781
Receivables, less allowance for uncollectible amounts:					
Property taxes	16,000		810,000	3,000	4,500
Due from other governmental agencies					
Due from other funds			9,929		
Due from component units			9,432		
Accounts receivable			311		
Total assets	<u>\$ 33,991</u>	<u>\$ -0-</u>	<u>\$1,281,346</u>	<u>\$ 33,802</u>	<u>\$ 51,281</u>
Liabilities					
Accounts payable			\$ 34,582		
Accrued wages payable			30,752		
Due to other funds					
Due to component units					
Deferred revenue	\$ 16,000		810,000	\$ 3,000	\$ 4,500
Total liabilities	<u>16,000</u>	<u>\$ -0-</u>	<u>875,334</u>	<u>3,000</u>	<u>4,500</u>
Fund Balance					
Restricted for:					
Street maintenance program					
Economic development				30,802	46,781
Culture and recreation	17,991				
Retirement obligations			406,012		
Community development					
Unassigned (deficit)					
Total fund balance (deficit)	<u>17,991</u>	<u>-0-</u>	<u>406,012</u>	<u>30,802</u>	<u>46,781</u>
Total liabilities and fund balance	<u>\$ 33,991</u>	<u>\$ -0-</u>	<u>\$1,281,346</u>	<u>\$ 33,802</u>	<u>\$ 51,281</u>

<u>Special Service Area No. 5</u>	<u>Community Development Agency</u>	<u>Senior Aides Program Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Tax Increment Financing District No. 1 Fund</u>	<u>Tax Increment Financing District No. 2 Fund</u>	<u>Tax Increment Financing District No. 3 Fund</u>	<u>Tax Increment Financing District No. 4 Fund</u>
\$ 98,266	\$ 162,184		\$1,226,282	\$ 392,036			
16,000				857,800			
	408,580		84,641				
	538,353						
<u>\$ 114,266</u>	<u>\$1,109,117</u>	<u>\$ -0-</u>	<u>\$1,310,923</u>	<u>\$ 1,249,836</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
	\$ 93,520		\$ 26,049	\$ 20,495			
	215,972		25,977	256,602			
	17,536						
\$ 16,000	537,861			857,800			
<u>16,000</u>	<u>864,889</u>	<u>\$ -0-</u>	<u>\$ 52,026</u>	<u>1,134,897</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
			1,258,897				
98,266				114,939			
	244,228						
<u>98,266</u>	<u>244,228</u>	<u>-0-</u>	<u>1,258,897</u>	<u>114,939</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 114,266</u>	<u>\$1,109,117</u>	<u>\$ -0-</u>	<u>\$1,310,923</u>	<u>\$ 1,249,836</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
(Continued)
April 30, 2012

	Tax Increment Financing District No. 5 Fund	Tax Increment Financing District No. 6 Fund	Tax Increment Financing District No. 7 Fund	Tax Increment Financing District No. 8 Fund	Totals
Assets					
Cash and investments	\$ 40,759		\$ 83,195	\$ 468,034	\$ 3,018,004
Receivables, less allowance for uncollectible amounts:					
Property taxes	173,700	\$ 204,400	51,300	863,200	2,999,900
Due from other governmental agencies					493,221
Due from other funds			12,505		22,434
Due from component units					9,432
Accounts receivable					538,664
Total assets	<u>\$ 214,459</u>	<u>\$ 204,400</u>	<u>\$ 147,000</u>	<u>\$ 1,331,234</u>	<u>\$ 7,081,655</u>
Liabilities					
Accounts payable					\$ 174,646
Accrued wages payable					30,752
Due to other funds	\$ 2,729	\$ 22,972		\$ 5,863	530,115
Due to component units					17,536
Deferred revenue	173,700	204,400	\$ 51,300	863,200	3,537,761
Total liabilities	<u>176,429</u>	<u>227,372</u>	<u>51,300</u>	<u>869,063</u>	<u>4,290,810</u>
Fund Balance					
Restricted for:					
Street maintenance program					1,258,897
Economic development	38,030		95,700	462,171	886,689
Culture and recreation					17,991
Retirement obligations					406,012
Community development					244,228
Unassigned (deficit)		(22,972)			(22,972)
Total fund balance (deficit)	<u>38,030</u>	<u>(22,972)</u>	<u>95,700</u>	<u>462,171</u>	<u>2,790,845</u>
Total liabilities and fund balance	<u>\$ 214,459</u>	<u>\$ 204,400</u>	<u>\$ 147,000</u>	<u>\$ 1,331,234</u>	<u>\$ 7,081,655</u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the year ended April 30, 2012

	<u>Band Fund</u>	<u>Park Fund</u>	<u>Illinois Municipal Retirement Fund</u>	<u>Special Service Area No. 2</u>	<u>Special Service Area No. 3</u>
Revenues:					
Property taxes	\$ 16,213		\$ 796,806	\$ 3,039	\$ 3,587
Intergovernmental					
Interest income			44		
Miscellaneous					
Total revenues	<u>16,213</u>	<u>\$ -0-</u>	<u>796,850</u>	<u>3,039</u>	<u>3,587</u>
Expenditures:					
Current:					
General government			512,617		
Highways and streets					
Community development					
Culture and recreation	15,000				
Economic development					
Debt service:					
Interest and fiscal charges					
Total expenditures	<u>15,000</u>	<u>-0-</u>	<u>512,617</u>	<u>-0-</u>	<u>-0-</u>
Excess (deficiency) of revenues over expenditures	1,213	-0-	284,233	3,039	3,587
Other financing sources (uses):					
Transfer from other funds					
Transfer to other funds		(19,128)			
Total other financing sources (uses)	<u>-0-</u>	<u>(19,128)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	1,213	(19,128)	284,233	3,039	3,587
Fund balance (deficit), May 1, 2011	<u>16,778</u>	<u>19,128</u>	<u>121,779</u>	<u>27,763</u>	<u>43,194</u>
Fund balance (deficit), April 30, 2012	<u>\$ 17,991</u>	<u>\$ -0-</u>	<u>\$ 406,012</u>	<u>\$ 30,802</u>	<u>\$ 46,781</u>

<u>Special Service Area No. 5</u>	<u>Community Development Agency</u>	<u>Senior Aides Program Fund</u>	<u>Motor Fuel Tax Fund</u>	<u>Tax Increment Financing District No. 1 Fund</u>	<u>Tax Increment Financing District No. 2 Fund</u>	<u>Tax Increment Financing District No. 3 Fund</u>	<u>Tax Increment Financing District No. 4 Fund</u>
\$ 35,960				\$ 795,270			
2	\$ 2,358,939 5,100 359	\$ 1	\$ 846,062 421	44		\$ 455	
<u>35,962</u>	<u>2,364,398</u>	<u>1</u>	<u>846,483</u>	<u>795,314</u>	<u>\$ -0-</u>	<u>455</u>	<u>\$ -0-</u>
	152,293		382,596				
	2,206,635						
	5,211			173,500	24,291	116,297	15,056
<u>-0-</u>	<u>2,364,139</u>	<u>-0-</u>	<u>382,596</u>	<u>173,500</u>	<u>24,291</u>	<u>116,297</u>	<u>15,056</u>
35,962	259	1	463,887	621,814	(24,291)	(115,842)	(15,056)
		(2,301)		232,000 (481,525)	(232,000)		
<u>-0-</u>	<u>-0-</u>	<u>(2,301)</u>	<u>-0-</u>	<u>(249,525)</u>	<u>(232,000)</u>	<u>-0-</u>	<u>-0-</u>
35,962	259	(2,300)	463,887	372,289	(256,291)	(115,842)	(15,056)
<u>62,304</u>	<u>243,969</u>	<u>2,300</u>	<u>795,010</u>	<u>(257,350)</u>	<u>256,291</u>	<u>115,842</u>	<u>15,056</u>
<u>\$ 98,266</u>	<u>\$ 244,228</u>	<u>\$ -0-</u>	<u>\$1,258,897</u>	<u>\$ 114,939</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
(Continued)
For the year ended April 30, 2012

	Tax Increment Financing District No. 5 Fund	Tax Increment Financing District No. 6 Fund	Tax Increment Financing District No. 7 Fund	Tax Increment Financing District No. 8 Fund	Totals
Revenues:					
Property taxes	\$ 32,850	\$ 186,954	\$ 47,005	\$ 887,396	\$ 2,805,080
Intergovernmental					3,205,001
Interest income	74	11	103	452	6,707
Miscellaneous					359
Total revenues	<u>32,924</u>	<u>186,965</u>	<u>47,108</u>	<u>887,848</u>	<u>6,017,147</u>
Expenditures:					
Current:					
General government					664,910
Highways and streets					382,596
Community development					2,206,635
Culture and recreation					15,000
Economic development	827	740	1,745	199,374	531,830
Debt service:					
Interest and fiscal charges					5,211
Total expenditures	<u>827</u>	<u>740</u>	<u>1,745</u>	<u>199,374</u>	<u>3,806,182</u>
Excess (deficiency) of revenues over expenditures	32,097	186,225	45,363	688,474	2,210,965
Other financing sources (uses):					
Transfer from other funds					232,000
Transfer to other funds	(127,623)	(259,963)	(37,908)	(621,118)	(1,781,566)
Total other financing sources (uses)	<u>(127,623)</u>	<u>(259,963)</u>	<u>(37,908)</u>	<u>(621,118)</u>	<u>(1,549,566)</u>
Net change in fund balances	(95,526)	(73,738)	7,455	67,356	661,399
Fund balance (deficit), May 1, 2011	<u>133,556</u>	<u>50,766</u>	<u>88,245</u>	<u>394,815</u>	<u>2,129,446</u>
Fund balance (deficit), April 30, 2012	<u>\$ 38,030</u>	<u>\$ (22,972)</u>	<u>\$ 95,700</u>	<u>\$ 462,171</u>	<u>\$ 2,790,845</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BAND FUND
For the year ended April 30, 2012

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> <u>Over (Under)</u>
Revenues:				
Property taxes	\$ 15,000	\$ 15,000	\$ 16,213	\$ 1,213
Expenditures:				
Current:				
Culture and recreation	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-0-</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	1,213	<u>\$ 1,213</u>
Fund balance, May 1, 2011			16,778	
Fund balance, April 30, 2012			<u>\$ 17,991</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ILLINOIS MUNICIPAL RETIREMENT FUND
For the year ended April 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 800,000	\$ 800,000	\$ 796,806	\$ (3,194)
Interest income			44	44
Total revenues	<u>800,000</u>	<u>800,000</u>	<u>796,850</u>	<u>(3,150)</u>
Expenditures:				
Current:				
General government	<u>800,000</u>	<u>800,000</u>	<u>512,617</u>	<u>(287,383)</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	284,233	<u>\$ 284,233</u>
Fund balance, May 1, 2011			121,779	
Fund balance, April 30, 2012			<u>\$ 406,012</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL SERVICE AREA NO. 2
For the year ended April 30, 2012

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> <u>Over (Under)</u>
Revenues:				
Property taxes	\$ 3,000	\$ 3,000	\$ 3,039	\$ 39
Expenditures:				
Current:				
Economic development	<u>3,000</u>	<u>3,000</u>		<u>(3,000)</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	3,039	<u>\$ 3,039</u>
Fund balance, May 1, 2011			27,763	
Fund balance, April 30, 2012			<u>\$ 30,802</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL SERVICE AREA NO. 3
For the year ended April 30, 2012

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
Revenues:				
Property taxes	\$ 4,500	\$ 4,500	\$ 3,587	\$ (913)
Expenditures:				
Current:				
Economic development	<u>4,500</u>	<u>4,500</u>		<u>(4,500)</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	3,587	<u>\$ 3,587</u>
Fund balance, May 1, 2011			43,194	
Fund balance, April 30, 2012			<u>\$ 46,781</u>	

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CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
April 30, 2012

	General Obligation Bonds, Series 2003A	General Obligation Bonds, Series 2003B	General Obligation Bonds, Series 2004	General Obligation Bonds, Series 2005	General Obligation Bonds, Series 2006
Assets					
Cash and investments				\$ 71,405	\$ 91,923
Receivables, less allowance for uncollectible amounts:					
Property taxes			\$ 437,810	546,040	340,873
Due from other funds			113,140	22,972	
Total assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 550,950</u>	<u>\$ 640,417</u>	<u>\$ 432,796</u>
Liabilities					
Due to other funds					
Deferred revenue			\$ 437,810	\$ 546,040	\$ 340,873
Total liabilities	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>437,810</u>	<u>546,040</u>	<u>340,873</u>
Fund Balance					
Restricted for debt service			113,140	94,377	91,923
Unassigned					
Total fund balance	<u>-0-</u>	<u>-0-</u>	<u>113,140</u>	<u>94,377</u>	<u>91,923</u>
Total liabilities and fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 550,950</u>	<u>\$ 640,417</u>	<u>\$ 432,796</u>

General Obligation Bonds, Series 2007A	Indian Meadows Debt Service	General Obligation Bonds, Series 2008	General Obligation Bonds, Series 2009	General Obligation Bonds, Series 2011	General Obligation Bonds, Series 2012	Totals
\$ 675	\$ 28,308		\$ 98,166		\$ 4,507	\$ 294,984
		\$ 284,975	1,570,523	\$ 1,746,726		4,926,947
			15,256	2,086		153,454
<u>\$ 675</u>	<u>\$ 28,308</u>	<u>\$ 284,975</u>	<u>\$ 1,683,945</u>	<u>\$ 1,748,812</u>	<u>\$ 4,507</u>	<u>\$ 5,375,385</u>
		\$ 3,142	\$ 20,792	\$ 122,524		\$ 146,458
		284,975	1,570,523	1,746,726		4,926,947
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>288,117</u>	<u>1,591,315</u>	<u>1,869,250</u>	<u>\$ -0-</u>	<u>5,073,405</u>
675	28,308		92,630		4,507	425,560
		(3,142)		(120,438)		(123,580)
<u>675</u>	<u>28,308</u>	<u>(3,142)</u>	<u>92,630</u>	<u>(120,438)</u>	<u>4,507</u>	<u>301,980</u>
<u>\$ 675</u>	<u>\$ 28,308</u>	<u>\$ 284,975</u>	<u>\$ 1,683,945</u>	<u>\$ 1,748,812</u>	<u>\$ 4,507</u>	<u>\$ 5,375,385</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the year ended April 30, 2012

	General Obligation Bonds, Series 2003A	General Obligation Bonds, Series 2003B	General Obligation Bonds, Series 2004	General Obligation Bonds, Series 2005	General Obligation Bonds, Series 2006
Revenues:					
Property taxes	\$ 646,472		\$ 1,706,675	\$ 308,274	\$ 281,662
Special assessments					
Interest income	32		83	15	14
Total revenues	<u>646,504</u>	<u>\$ -0-</u>	<u>1,706,758</u>	<u>308,289</u>	<u>281,676</u>
Expenditures:					
Debt service:					
Principal retirement	510,000	325,000	1,520,000	255,000	270,000
Interest and fiscal charges	119,985	219,207	196,450	315,002	415,018
Total expenditures	<u>629,985</u>	<u>544,207</u>	<u>1,716,450</u>	<u>570,002</u>	<u>685,018</u>
Excess (deficiency) of revenues over expenditures	<u>16,519</u>	<u>(544,207)</u>	<u>(9,692)</u>	<u>(261,713)</u>	<u>(403,342)</u>
Other financing sources (uses):					
Issuance of refunding bonds	2,035,000	2,645,000			
Premium on issuance of bonds	28,112	82,073			
Payment to refunded debt escrow	(2,052,500)	(2,659,884)			
Transfers:					
From other funds		481,525	127,623	259,963	378,535
To other funds	(24,906)	(4,507)			
Total other financing sources (uses)	<u>(14,294)</u>	<u>544,207</u>	<u>127,623</u>	<u>259,963</u>	<u>378,535</u>
Net change in fund balance	<u>2,225</u>	<u>-0-</u>	<u>117,931</u>	<u>(1,750)</u>	<u>(24,807)</u>
Fund balance (deficit), May 1, 2011	<u>(2,225)</u>		<u>(4,791)</u>	<u>96,127</u>	<u>116,730</u>
Fund balance (deficit), April 30, 2012	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 113,140</u>	<u>\$ 94,377</u>	<u>\$ 91,923</u>

General Obligation Bonds, Series 2007A	Indian Meadows Debt Service	General Obligation Bonds, Series 2008	General Obligation Bonds, Series 2009	General Obligation Bonds, Series 2011	General Obligation Bonds, Series 2012	Totals
		\$ 283,352	\$ 1,179,517	\$ 382,947		\$ 4,788,899
	\$ 291,000					291,000
	95,244	16	60	4		95,468
<u>\$ -0-</u>	<u>386,244</u>	<u>283,368</u>	<u>\$ 1,179,577</u>	<u>\$ 382,951</u>	<u>\$ -0-</u>	<u>5,175,367</u>
215,000	282,983		1,105,000	335,000		4,817,983
211,321	93,046	284,975	875,646	193,295		2,923,945
<u>426,321</u>	<u>376,029</u>	<u>284,975</u>	<u>1,980,646</u>	<u>528,295</u>	<u>-0-</u>	<u>7,741,928</u>
<u>(426,321)</u>	<u>10,215</u>	<u>(1,607)</u>	<u>(801,069)</u>	<u>(145,344)</u>	<u>-0-</u>	<u>(2,566,561)</u>
						4,680,000
						110,185
						(4,712,384)
426,321			794,373	24,906	4,507	2,497,753
						(29,413)
<u>426,321</u>	<u>-0-</u>	<u>-0-</u>	<u>794,373</u>	<u>24,906</u>	<u>4,507</u>	<u>2,546,141</u>
-0-	10,215	(1,607)	(6,696)	(120,438)	4,507	(20,420)
675	18,093	(1,535)	99,326			322,400
<u>\$ 675</u>	<u>\$ 28,308</u>	<u>\$ (3,142)</u>	<u>\$ 92,630</u>	<u>\$ (120,438)</u>	<u>\$ 4,507</u>	<u>\$ 301,980</u>

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**CITY OF KANKAKEE, ILLINOIS
FIDUCIARY FUNDS**

Police Pension Fund

A pension trust which accounts for the police officers' pension fund. Revenue includes City contributions, contributions from participants and investment earnings.

Firefighters' Pension Fund

A pension trust which accounts for the firefighters' pension fund. Revenue includes City contributions, contributions from participants and investment earnings.

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
April 30, 2012

	Police Pension Fund	Firefighters' Pension Fund	Totals
Assets			
Cash and short-term investments	\$ 993,450	\$ 839,378	\$ 1,832,828
Receivables, less allowance for uncollectible amounts:			
Employee contributions	20,928	14,522	35,450
Employer contributions		83,038	83,038
Interest	40,738	41,322	82,060
Investments, at fair value:			
Open-end mutual funds	3,821,550	3,881,502	7,703,052
Corporate securities	2,806,252		2,806,252
U. S. treasury and agency securities	4,470,848	2,939,156	7,410,004
Corporate bonds	1,944,811	1,150,275	3,095,086
State and local obligations	254,651	127,413	382,064
Prepaid items		10,284	10,284
Total assets	<u>14,353,228</u>	<u>9,086,890</u>	<u>23,440,118</u>
Liabilities			
Benefits and other payables	<u>187,811</u>	<u>212,753</u>	<u>400,564</u>
Net Assets			
Net assets held in trust for pension benefits	<u><u>\$14,165,417</u></u>	<u><u>\$ 8,874,137</u></u>	<u><u>\$23,039,554</u></u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the year ended April 30, 2012

	Police Pension Fund	Firefighters' Pension Fund	Totals
Additions:			
Contributions:			
Employer	\$ 1,968,888	\$ 2,117,020	\$ 4,085,908
Employee	498,481	345,587	844,068
Total contributions	<u>2,467,369</u>	<u>2,462,607</u>	<u>4,929,976</u>
Investment income (loss):			
Net change in fair value of investments	45,452	(151,678)	(106,226)
Interest and dividends	<u>314,580</u>	<u>298,407</u>	<u>612,987</u>
	360,032	146,729	506,761
Less: investment expense	<u>(90,437)</u>	<u>(58,706)</u>	<u>(149,143)</u>
Net investment income	<u>269,595</u>	<u>88,023</u>	<u>357,618</u>
Total additions	<u>2,736,964</u>	<u>2,550,630</u>	<u>5,287,594</u>
Deductions:			
Benefits	2,096,217	2,457,954	4,554,171
Refunds of contributions	8,258		8,258
Administrative expenses	26,360	38,974	65,334
Total deductions	<u>2,130,835</u>	<u>2,496,928</u>	<u>4,627,763</u>
Change in net assets held in trust for pension benefits	606,129	53,702	659,831
Net assets held in trust for pension benefits:			
May 1, 2011	<u>13,559,288</u>	<u>8,820,435</u>	<u>22,379,723</u>
April 30, 2012	<u>\$ 14,165,417</u>	<u>\$ 8,874,137</u>	<u>\$ 23,039,554</u>

**CITY OF KANKAKEE, ILLINOIS
COMPONENT UNITS**

Kankakee Public Library

Accounts for the revenues and expenses of the local public library. A majority of the revenues are from a property tax levy approved by the City Council.

Special Service Are #1

Accounts for activities to promote and develop downtown Kankakee. The major source of revenues is from a property tax levy approved by the City Council.

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CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - KANKAKEE PUBLIC LIBRARY
STATEMENT OF NET ASSETS AND GOVERNMENT FUND BALANCE SHEET
April 30, 2012

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Net Assets</u>
Assets			
Cash and investments	\$ 567,649		\$ 567,649
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,691,870		1,691,870
Capital assets:			
Depreciable (net of accumulated depreciation)		\$ 6,628,917	6,628,917
Total assets	<u><u>\$ 2,259,519</u></u>	<u><u>\$ 6,628,917</u></u>	<u><u>\$ 8,888,436</u></u>
Liabilities			
Accounts payable	\$ 30,756		\$ 30,756
Due to primary government	72,951		72,951
Deferred revenue	1,693,130		1,693,130
Long-term liabilities:			
Due within one year		\$ 114,666	114,666
Due within more than one year		2,728,396	2,728,396
Total liabilities	<u><u>1,796,837</u></u>	<u><u>2,843,062</u></u>	<u><u>4,639,899</u></u>
Fund Balance / Net Assets			
Invested in capital assets, net of related debt		3,785,855	3,785,855
Unassigned / Unrestricted	462,682		462,682
Total fund balances/net assets	<u><u>462,682</u></u>	<u><u>3,785,855</u></u>	<u><u>4,248,537</u></u>
Total liabilities and fund balances/net assets	<u><u>\$ 2,259,519</u></u>	<u><u>\$ 6,628,917</u></u>	<u><u>\$ 8,888,436</u></u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - KANKAKEE PUBLIC LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended April 30, 2012

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Activities</u>
Revenues:			
Property taxes	\$ 1,682,741		\$ 1,682,741
Fees	100,611		100,611
Intergovernmental	16,740		16,740
Interest	2,763		2,763
Other	76,335		76,335
Contribution from primary government	212,382		212,382
Total revenues	<u>2,091,572</u>	<u>\$ -0-</u>	<u>2,091,572</u>
Expenditures/expenses:			
Current:			
Culture and recreation	1,697,964	(25,860)	1,672,104
Debt service:			
Principal retirement	109,085	(109,085)	-0-
Interest and fiscal charges	145,130		145,130
Total expenditures/expenses	<u>1,952,179</u>	<u>(134,945)</u>	<u>1,817,234</u>
Net change in fund balances/net assets	139,393	134,945	274,338
Fund balances/net assets, May 1, 2011	<u>323,289</u>	<u>3,650,910</u>	<u>3,974,199</u>
Fund balances/net assets, April 30, 2012	<u>\$ 462,682</u>	<u>\$ 3,785,855</u>	<u>\$ 4,248,537</u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL SERVICE AREA NO. 1
STATEMENT OF NET ASSETS AND GOVERNMENT FUND BALANCE SHEET
April 30, 2012

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Net Assets</u>
Assets			
Cash and investments	\$ 250,712		\$ 250,712
Receivables, less allowance for uncollectible amounts:			
Property taxes	127,900		127,900
Due from primary government	17,536		17,536
Capital assets:			
Depreciable (net of accumulated depreciation)		\$ 875,072	875,072
	<u>396,148</u>	<u>875,072</u>	<u>1,271,220</u>
Total assets	<u>\$ 396,148</u>	<u>\$ 875,072</u>	<u>\$ 1,271,220</u>
Liabilities			
Accounts payable	\$ 9,102		\$ 9,102
Deferred revenue	127,900		127,900
	<u>137,002</u>	<u>\$ -0-</u>	<u>137,002</u>
Total liabilities	<u>137,002</u>	<u>\$ -0-</u>	<u>137,002</u>
Fund Balance / Net Assets			
Invested in capital assets, net of related debt		875,072	875,072
Unassigned / Unrestricted	259,146		259,146
	<u>259,146</u>	<u>875,072</u>	<u>1,134,218</u>
Total fund balances/net assets	<u>259,146</u>	<u>875,072</u>	<u>1,134,218</u>
	<u>\$ 396,148</u>	<u>\$ 875,072</u>	<u>\$ 1,271,220</u>
Total liabilities and fund balances/net assets	<u>\$ 396,148</u>	<u>\$ 875,072</u>	<u>\$ 1,271,220</u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL SERVICE AREA NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended April 30, 2012

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Activities</u>
Revenues:			
Property taxes	\$ 128,258		\$ 128,258
Interest	400		400
Other	11,925		11,925
	<u>140,583</u>	<u>\$ -0-</u>	<u>140,583</u>
Total revenues			
Expenditures/expenses:			
Current:			
General government	<u>108,084</u>	<u>54,918</u>	<u>163,002</u>
Net change in fund balances/net assets	32,499	(54,918)	(22,419)
Fund balances/net assets, May 1, 2011	<u>226,647</u>	<u>929,990</u>	<u>1,156,637</u>
Fund balances/net assets, April 30, 2012	<u>\$ 259,146</u>	<u>\$ 875,072</u>	<u>\$ 1,134,218</u>

SUPPLEMENTAL SCHEDULES

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CITY OF KANKAKEE, ILLINOIS
PROPERTY TAXES RECEIVABLE
2011 LEVY TO BE COLLECTED IN 2012
April 30, 2012

	Taxes extended	Estimated losses	Estimated net taxes receivable
Primary Government:			
General Fund	\$ 6,298,604	\$ 10,061	\$ 6,288,543
Special revenue funds:			
Band Fund	17,593	1,593	16,000
Illinois Municipal Retirement Fund	811,803	1,803	810,000
Special Service Area No. 2	3,002	2	3,000
Special Service Area No. 3	4,483	(17)	4,500
Special Service Area No. 5	16,058	58	16,000
Tax Increment Financing District #1	857,819	19	857,800
Tax Increment Financing District #5	173,735	35	173,700
Tax Increment Financing District #6	204,440	40	204,400
Tax Increment Financing District #7	51,398	98	51,300
Tax Increment Financing District #8	863,225	25	863,200
Total special revenue funds	<u>3,003,556</u>	<u>3,656</u>	<u>2,999,900</u>
Debt service funds	<u>4,928,625</u>	<u>1,678</u>	<u>4,926,947</u>
Total Primary Government	<u><u>\$ 14,230,785</u></u>	<u><u>\$ 15,395</u></u>	<u><u>\$ 14,215,390</u></u>
Component Units:			
Library	\$ 1,693,979	\$ 2,109	\$ 1,691,870
Special Service Area No. 1	127,903	3	127,900
Total Component Units	<u><u>\$ 1,821,882</u></u>	<u><u>\$ 2,112</u></u>	<u><u>\$ 1,819,770</u></u>

CITY OF KANKAKEE, ILLINOIS
PROPRIETARY FUND TYPES
KANKAKEE ENVIRONMENTAL SERVICES UTILITY FUND
SCHEDULE OF BOND RATE COVENANT CALCULATION
April 30, 2012

Debt service requirements	\$ 869,672	
120% covenant	<u>x 120%</u>	
Total required revenues	<u>\$ 1,043,606</u>	
Net revenues generated by sewer utility:		
Sewer charges	\$ 9,426,813	
Utility operations expenses	<u>(3,312,357)</u>	
Net revenues generated	6,114,456	
Sewer Utility's share of Kankakee River Metropolitan		
Agency's plant operations expenses	<u>(4,265,071)</u>	
Total net revenues available		
(expressed in dollars and as a percentage of debt service		
requirements)	<u>\$ 1,849,712</u>	<u>213%</u>
Bond covenant coverage over the required revenues	<u>\$ 806,106</u>	

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CITY OF KANKAKEE, ILLINOIS
PROPRIETARY FUND TYPES
KANKAKEE ENVIRONMENTAL SERVICES UTILITY FUND
SCHEDULE OF REVENUE BONDS PAYABLE
April 30, 2012

	Series 2009		Series 2010A		Series 2010B	
Date of issue	December 1, 2009		December 2, 2010		December 2, 2010	
Interest rates	2.00% to 5.80%		5.35% to 6.50%		2.00% to 3.90%	
Principal redemption date	May 1		May 1		May 1	
Interest payment dates	May 1 and November 1		May 1 and November 1		May 1 and November 1	
Original issue	\$ 4,000,000		\$ 2,700,000		\$ 2,740,000	
Paid to date	<u>445,000</u>		<u></u>		<u>230,000</u>	
Balance, April 30, 2012	<u>\$ 3,555,000</u>		<u>\$ 2,700,000</u>		<u>\$ 2,510,000</u>	
Date as follows:						
Year ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 230,000	\$ 174,547		\$ 163,755	\$ 220,000	\$ 81,370
2014	240,000	167,188		163,755	225,000	75,870
2015	250,000	158,787		163,755	230,000	70,245
2016	260,000	149,288		163,755	240,000	63,345
2017	270,000	138,107		163,755	245,000	56,145
2018	280,000	125,283		163,755	250,000	48,795
2019	295,000	111,282		163,755	260,000	41,045
2020	310,000	96,090		163,755	270,000	31,815
2021	325,000	79,660		163,755	280,000	22,230
2022	345,000	62,110	\$ 300,000	163,755	290,000	11,310
2023	365,000	43,135	310,000	163,755		
2024	385,000	22,330	320,000	147,705		
2025			330,000	130,655		
2026				112,575		
2027				93,600		
2028				71,500		
2029				48,425		
2030			1,440,000	24,700		
	<u>\$ 3,555,000</u>	<u>\$ 1,327,807</u>	<u>\$ 2,700,000</u>	<u>\$ 2,430,465</u>	<u>\$ 2,510,000</u>	<u>\$ 502,170</u>

Totals

\$ 9,440,000
675,000

\$ 8,765,000

Principal	Interest	Totals
\$ 450,000	\$ 419,672	\$ 869,672
465,000	406,813	871,813
480,000	392,787	872,787
500,000	376,388	876,388
515,000	358,007	873,007
530,000	337,833	867,833
555,000	316,082	871,082
580,000	291,660	871,660
605,000	265,645	870,645
935,000	237,175	1,172,175
675,000	206,890	881,890
705,000	170,035	875,035
330,000	130,655	460,655
	112,575	112,575
	93,600	93,600
	71,500	71,500
	48,425	48,425
1,440,000	24,700	1,464,700
<u>\$ 8,765,000</u>	<u>\$ 4,260,442</u>	<u>\$ 13,025,442</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
April 30, 2012

	Series 2003B		Series 2004		Series 2005	
Date of issue	June 1, 2003		April 1, 2004		February 1, 2005	
Interest rates	2.25% to 5.25%		2.00% to 4.00%		3.00% to 4.35%	
Principal redemption date	January 1		January 1		January 1	
Interest payment dates	July 1 and January 1		July 1 and January 1		July 1 and January 1	
Original issue	\$ 4,860,000		\$ 9,600,000		\$ 9,160,000	
Paid to date	<u>4,520,000</u>		<u>5,485,000</u>		<u>1,745,000</u>	
Balance, April 30, 2012	<u>\$ 340,000</u>		<u>\$ 4,115,000</u>		<u>\$ 7,415,000</u>	
Due as follows:						
Year ending <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 340,000	\$ 12,325	\$ 290,000	\$ 147,810	\$ 520,000	\$ 304,803
2014			120,000	138,385	550,000	284,002
2015			135,000	134,425	595,000	262,003
2016			1,350,000	129,835	635,000	238,202
2017			1,820,000	81,910	675,000	212,803
2018			130,000	15,480	720,000	185,802
2019			130,000	10,605	755,000	154,843
2020			140,000	5,600	780,000	124,642
2021					815,000	92,663
2022					500,000	58,840
2023					510,000	37,590
2024					360,000	15,660
2025						
2026						
2027						
2028						
2029						
	<u>\$ 340,000</u>	<u>\$ 12,325</u>	<u>\$4,115,000</u>	<u>\$ 664,050</u>	<u>\$7,415,000</u>	<u>\$1,971,853</u>

Series 2006		Series 2007A		Series 2007B	
September 15, 2006 3.50% to 5.25%		August 2, 2007 4.00% to 5.00%		August 2, 2007 4.25% to 4.36%	
January 1		January 1		January 1	
July 1 and January 1		July 1 and January 1		July 1 and January 1	
\$ 9,555,000		\$ 5,405,000		\$ 1,422,327	
<u>1,185,000</u>		<u>830,000</u>			
 <u>\$ 8,370,000</u>		 <u>\$ 4,575,000</u>		 <u>\$ 1,422,327</u>	
Principal	Interest	Principal	Interest	Principal	Interest
\$ 320,000	\$ 401,345	\$ 225,000	\$ 202,183		
335,000	389,505	240,000	192,620		
655,000	376,775	260,000	182,420	\$ 402,672	\$ 147,329
675,000	351,885	265,000	172,020	350,125	149,875
375,000	325,898	95,000	161,155	267,496	132,504
540,000	311,460	110,000	157,260	402,034	227,965
585,000	290,400	125,000	152,750		
645,000	259,688	140,000	147,625		
730,000	222,600	160,000	141,745		
790,000	184,275	170,000	135,025		
880,000	142,800	180,000	127,885		
715,000	96,600	600,000	120,325		
1,125,000	59,063	635,000	90,325		
		670,000	58,575		
		700,000	30,100		
 <u>\$ 8,370,000</u>	 <u>\$ 3,412,294</u>	 <u>\$ 4,575,000</u>	 <u>\$ 2,072,013</u>	 <u>\$ 1,422,327</u>	 <u>\$ 657,673</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
(Continued)
April 30, 2012

	Series 2008		Series 2009A		Series 2009B	
Date of issue	June 1, 2008		April 15, 2009		April 15, 2009	
Interest rates	3.45% to 5.25%		2.30% to 5.00%		3.00% to 5.00%	
Principal redemption date	January 1		January 1		January 1	
Interest payment dates	July 1 and January 1		July 1 and January 1		July 1 and January 1	
Original issue	\$ 6,930,000		\$ 10,180,000		\$ 14,905,000	
Paid to date	<u> </u>		<u>160,000</u>		<u>3,815,000</u>	
Balance, April 30, 2012	<u>\$ 6,930,000</u>		<u>\$ 10,020,000</u>		<u>\$ 11,090,000</u>	
Due as follows:						
Year ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2013		\$ 284,975	\$ 85,000	\$ 439,863	\$ 1,440,000	\$ 403,193
2014		284,975	85,000	437,228	1,670,000	352,793
2015		284,975	90,000	434,593	2,275,000	294,343
2016	\$ 315,000	284,975	135,000	431,803	975,000	214,718
2017	425,000	274,108	165,000	427,078	1,045,000	180,593
2018	585,000	259,020	735,000	421,303	1,360,000	145,063
2019	670,000	228,308	1,025,000	384,553	1,500,000	96,103
2020	900,000	193,808	635,000	333,303	610,000	39,853
2021	900,000	159,603	660,000	306,633	35,000	9,353
2022	985,000	124,953	690,000	278,913	40,000	7,830
2023	1,075,000	86,538	715,000	249,933	45,000	6,090
2024	1,075,000	43,538	745,000	219,903	45,000	4,133
2025			780,000	187,868	50,000	2,175
2026			810,000	154,328		
2027			850,000	119,093		
2028			890,000	81,693		
2029			925,000	42,088		
	<u>\$ 6,930,000</u>	<u>\$ 2,509,776</u>	<u>\$ 10,020,000</u>	<u>\$ 4,950,176</u>	<u>\$ 11,090,000</u>	<u>\$ 1,756,240</u>

Series 2011A		Series 2011B		Series 2011C	
April 27, 2011 2.50% to 4.90%		April 27, 2011 4.10%		April 27, 2011 2.00% to 3.00%	
January 1		January 1		January 1	
July 1 and January 1		July 1 and January 1		July 1 and January 1	
\$ 5,000,000		\$ 370,000		\$ 1,310,000	
				335,000	
<u>\$ 5,000,000</u>		<u>\$ 370,000</u>		<u>\$ 975,000</u>	
Principal	Interest	Principal	Interest	Principal	Interest
	\$ 225,380		\$ 15,170	\$ 355,000	\$ 24,763
\$ 105,000	225,380		15,170	365,000	16,775
	222,755		15,170	255,000	7,650
165,000	222,755		15,170		
225,000	216,980		15,170		
	209,105		15,170		
	209,105		15,170		
440,000	209,105	\$ 370,000	15,170		
600,000	190,185				
725,000	164,385				
855,000	132,123				
930,000	92,365				
955,000	46,795				
<u>\$ 5,000,000</u>	<u>\$ 2,366,418</u>	<u>\$ 370,000</u>	<u>\$ 121,360</u>	<u>\$ 975,000</u>	<u>\$ 49,188</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
(Continued)
April 30, 2012

	Series 2011D		Series 2012		Totals		
Date of issue	October 12, 2011		March 13, 2012				
Interest rates	2.00%		2.00% to 2.50%				
Principal redemption date	January 1		January 1				
Interest payment dates	July 1 and January 1		July 1 and January 1				
Original issue	\$ 2,035,000		\$ 2,645,000		\$ 83,377,327		
Paid to date					18,075,000		
Balance, April 30, 2012	<u>\$ 2,035,000</u>		<u>\$ 2,645,000</u>		<u>\$ 65,302,327</u>		
Due as follows:							
Year ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest	Totals
2013	\$ 940,000	\$ 40,700	\$ 80,000	\$ 49,400	\$ 4,595,000	\$ 2,551,910	\$ 7,146,910
2014	1,095,000	21,900	390,000	60,150	\$ 4,955,000	2,418,883	7,373,883
2015			405,000	52,350	\$ 5,072,672	2,414,788	7,487,460
2016			420,000	44,250	\$ 5,285,125	2,255,488	7,540,613
2017			435,000	33,750	\$ 5,527,496	2,061,949	7,589,445
2018			450,000	22,875	\$ 5,032,034	1,970,503	7,002,537
2019			465,000	11,625	\$ 5,255,000	1,553,462	6,808,462
2020					\$ 4,660,000	1,328,794	5,988,794
2021					\$ 3,900,000	1,122,782	5,022,782
2022					\$ 3,900,000	954,221	4,854,221
2023					\$ 4,260,000	782,959	5,042,959
2024					\$ 4,470,000	592,524	5,062,524
2025					\$ 3,545,000	386,226	3,931,226
2026					\$ 1,480,000	212,903	1,692,903
2027					\$ 1,550,000	149,193	1,699,193
2028					\$ 890,000	81,693	971,693
2029					\$ 925,000	42,088	967,088
	<u>\$2,035,000</u>	<u>\$ 62,600</u>	<u>\$2,645,000</u>	<u>\$ 274,400</u>	<u>\$ 65,302,327</u>	<u>\$20,880,366</u>	<u>\$86,182,693</u>

STATISTICAL SECTION



STATISTICAL SECTION

The objective of this part of the City of Kankakee's Comprehensive Annual Financial Report is to provide financial statement users with additional historical perspective, context, and detail. It is intended that the information in the financial statements, notes to financial statements, required supplementary information, and the statistical section, taken as a whole, will assist readers in further understanding and assessing the City's economic condition.

<u>Contents</u>	<u>Page(s)</u>
(A) <u>Financial Trends</u> These schedules contain trend information that indicates how the City's financial performance has changed over time.	120-124
(B) <u>Revenue Capacity</u> These schedules provide information on one of the City's most significant and locally controlled revenue sources, the property tax	125-128
(C) <u>Debt Capacity</u> These schedules provide information about the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future	129-132
(D) <u>Demographic and Economic Information</u> These schedules offer demographic and economic indicators about the environment within which the City operates. This information is intended to facilitate comparisons of the City's finances over time and among other cities.	133-134
(E) <u>Operating Information</u> These schedules contain service and infrastructure data related to the services the City provides and the activities it performs	135-137

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in Fiscal Year 2004; schedules presenting government-wide data include information beginning in that year.

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Table A-1

CITY OF KANKAKEE, ILLINOIS
NET ASSETS BY COMPONENT (Unaudited)
Fiscal Years Ended April 30, 2004 to 2012
(accrual basis of accounting)
(amounts expressed in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities									
Invested in capital assets, net of related debt	\$ 27.5	\$ 29.1	\$ 32.3	\$ 36.9	\$ 40.7	\$ 45.3	\$ 43.7	\$ 46.9	\$ 42.8
Restricted	4.9	9.4	6.9	9.8	8.9	10.8	6.3	9.6	7.6
Unrestricted	<u>(28.2)</u>	<u>(32.0)</u>	<u>(29.0)</u>	<u>(31.8)</u>	<u>(33.6)</u>	<u>(47.5)</u>	<u>(41.1)</u>	<u>(45.6)</u>	<u>(40.0)</u>
Total governmental activities net assets	<u>\$ 4.3</u>	<u>\$ 6.5</u>	<u>\$ 10.2</u>	<u>\$ 14.9</u>	<u>\$ 15.9</u>	<u>\$ 8.6</u>	<u>\$ 9.0</u>	<u>\$ 10.9</u>	<u>\$ 10.4</u>
Business-type activities									
Invested in capital assets, net of related debt	\$ 18.5	\$ 22.5	\$ 22.4	\$ 22.0	\$ 22.0	\$ 24.9	\$ 21.3	\$ 24.7	\$ 21.8
Restricted	2.2	2.2	2.8	1.7	1.1	2.2	1.4	2.0	2.0
Unrestricted	<u>7.8</u>	<u>4.0</u>	<u>3.2</u>	<u>3.6</u>	<u>3.7</u>	<u>2.6</u>	<u>5.3</u>	<u>(0.2)</u>	<u>1.2</u>
Total business-type activities net assets	<u>\$ 28.4</u>	<u>\$ 28.7</u>	<u>\$ 28.4</u>	<u>\$ 27.4</u>	<u>\$ 26.8</u>	<u>\$ 29.7</u>	<u>\$ 28.0</u>	<u>\$ 26.5</u>	<u>\$ 25.0</u>
Primary government									
Invested in capital assets, net of related debt	\$ 45.9	\$ 51.6	\$ 54.7	\$ 58.9	\$ 62.7	\$ 70.2	\$ 65.0	\$ 71.6	\$ 64.6
Restricted	\$ 7.1	\$ 11.7	\$ 9.7	\$ 11.5	\$ 10.0	\$ 13.0	\$ 7.7	\$ 11.6	\$ 9.6
Unrestricted	<u>\$(20.4)</u>	<u>\$(28.0)</u>	<u>\$(25.8)</u>	<u>\$(28.1)</u>	<u>\$(29.9)</u>	<u>\$(44.9)</u>	<u>\$(35.8)</u>	<u>\$(45.8)</u>	<u>\$(38.8)</u>
Total primary government net assets	<u>\$ 32.7</u>	<u>\$ 35.2</u>	<u>\$ 38.7</u>	<u>\$ 42.3</u>	<u>\$ 42.8</u>	<u>\$ 38.4</u>	<u>\$ 37.0</u>	<u>\$ 37.4</u>	<u>\$ 35.4</u>

Source: Audited Financial Statements

Note: There may be some slight differences in totals due to rounding.

Table A-2

CITY OF KANKAKEE, ILLINOIS
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES (Unaudited)
Fiscal Years Ended April 30, 2004 to 2012
(accrual basis of accounting)
(amounts expressed in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Program Revenues									
Charges for services:									
General government	\$ 1.6	\$ 1.4	\$ 1.1	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.3
Public safety	0.9	0.8	1.0	1.0	0.5	0.6	0.6	0.6	0.5
Public works	0.3	0.5	0.3	0.3	0.2	0.4	0.6	0.1	
Community development	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Operating grants and contributions	2.7	4.0	2.9	2.8	3.5	4.0	3.4	4.3	3.9
Capital grants and contributions	<u>0.1</u>	<u>1.1</u>	<u>2.0</u>	<u>2.9</u>	<u>6.9</u>	<u>0.7</u>	<u>4.3</u>	<u>0.2</u>	<u>0.1</u>
Total program revenues	<u>5.5</u>	<u>8.0</u>	<u>7.4</u>	<u>8.3</u>	<u>12.5</u>	<u>7.0</u>	<u>10.2</u>	<u>6.5</u>	<u>6.0</u>
Expenses									
General government	\$ 4.9	\$ 5.1	\$ 6.0	\$ 6.7	\$ 6.2	\$ 8.6	\$ 8.3	\$ 8.8	\$ 8.2
Public safety	11.3	11.7	12.5	13.1	13.6	14.2	16.1	16.2	17.0
Public works	2.1	2.1	2.2	2.1	2.5	3.6	2.4	0.3	-
Highways and streets	0.9	2.6	3.3	1.7	7.2	2.2	3.3	1.2	3.4
Community development	2.0	2.7	1.4	1.5	1.8	2.5	1.9	2.4	2.2
Culture and recreation	0.1	0.1	0.1	0.1	0.1	0.3	0.1	0.0	0.2
Economic development	6.8	0.7	1.4	0.5	23.5	18.8	17.0	16.4	12.7
Interest and fiscal charges	<u>2.5</u>	<u>2.0</u>	<u>2.2</u>	<u>2.1</u>	<u>2.3</u>	<u>2.8</u>	<u>2.8</u>	<u>2.9</u>	<u>2.8</u>
Total Expenses	<u>30.7</u>	<u>26.8</u>	<u>29.1</u>	<u>27.8</u>	<u>57.1</u>	<u>53.2</u>	<u>51.9</u>	<u>48.2</u>	<u>46.5</u>
Net Revenue (Expense)	<u>\$ (25.2)</u>	<u>\$ (18.8)</u>	<u>\$ (21.7)</u>	<u>\$ (19.5)</u>	<u>\$ (44.6)</u>	<u>\$ (46.2)</u>	<u>\$ (41.8)</u>	<u>\$ (41.7)</u>	<u>\$ (40.5)</u>
General Revenues and Other Changes in Net Assets									
Property taxes	\$ 8.6	\$ 8.5	\$ 9.8	\$ 9.7	\$ 10.7	\$ 11.4	\$ 12.1	\$ 14.6	\$ 13.5
Special Assessments						0.3	0.3	0.3	0.3
Illinois retailers' tax, net	4.3	5.3	6.2	6.0	26.6	24.4	21.1	21.3	18.2
Utility taxes	3.2	3.3	3.3	3.3	3.5	3.4	3.4	3.6	3.9
Other taxes	2.4	2.7	3.1	3.4	3.8	3.6	3.1	3.3	3.3
Intergovernmental, not restricted to specific programs	0.8	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Investment income	0.1	0.2	0.6	0.9	0.9	0.4	0.1	0.1	0.1
Gain (loss) on disposal of property and equipment									
Other	0.4	0.2	0.2	0.1	0.1	0.3	0.4	0.8	0.9
Contributions from developers		0.7	1.6						
Transfers	<u>(0.3)</u>	<u>0.2</u>	<u>0.9</u>	<u>0.7</u>	<u>(0.0)</u>	<u>(4.9)</u>	<u>1.5</u>	<u>(0.4)</u>	<u>(0.1)</u>
Total general revenues and other changes	<u>\$ 19.5</u>	<u>\$ 21.1</u>	<u>\$ 25.8</u>	<u>\$ 24.2</u>	<u>\$ 45.6</u>	<u>\$ 38.9</u>	<u>\$ 42.1</u>	<u>\$ 43.6</u>	<u>\$ 40.1</u>
Total change in net assets	<u>\$ (5.6)</u>	<u>\$ 2.3</u>	<u>\$ 4.1</u>	<u>\$ 4.7</u>	<u>\$ 1.1</u>	<u>\$ (7.3)</u>	<u>\$ 0.3</u>	<u>\$ 1.9</u>	<u>\$ (0.5)</u>

Note: There may be some slight differences in totals due to rounding.

CITY OF KANKAKEE, ILLINOIS
CHANGE IN NET ASSETS - BUSINESS-TYPE ACTIVITIES
AND TOTAL PRIMARY GOVERNMENT (Unaudited)
Fiscal Years Ended April 30, 2004 to 2012
(accrual basis of accounting)
(amounts expressed in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Business-type activities									
Revenues									
Charges for services	\$ 7.9	\$ 8.3	\$ 8.3	\$ 8.4	\$ 8.8	\$ 10.0	\$ 12.6	\$ 12.0	\$ 12.6
Expenses	\$ 8.8	\$ 9.1	\$ 8.9	\$ 8.9	\$ 9.6	\$ 12.2	\$ 14.2	\$ 13.9	\$ 14.3
Net business-type revenues (expenses)	\$ (0.8)	\$ (0.8)	\$ (0.6)	\$ (0.5)	\$ (0.8)	\$ (2.2)	\$ (1.7)	\$ (1.9)	\$ (1.7)
Other income and changes in net assets -									
Investment income	\$ 0.0	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Other	1.9	0.2	1.7	0.0	0.1	(0.0)	0.1	0.0	0.1
Contributions from developers	2.5	1.0							
Transfers	0.3	(0.2)	(0.9)	(0.7)	0.0	4.9	1.2	(0.8)	0.1
Total other income and changes in net assets	4.8	1.1	1.0	(0.6)	0.3	4.9	1.3	(0.8)	0.2
Total change in net assets	4.0	0.2	0.3	(1.1)	(0.5)	2.8	(0.4)	(2.7)	(1.5)
Total Primary Government									
Program revenues	\$ 13.5	\$ 16.3	\$ 15.7	\$ 16.7	\$ 21.4	\$ 17.0	\$ 22.7	\$ 18.5	\$ 18.5
Expenses	\$ (39.5)	\$ (35.9)	\$ (38.1)	\$ (36.7)	\$ (66.7)	\$ (65.4)	\$ (66.2)	\$ (62.1)	\$ (60.8)
Net revenues (expenses)	\$ (26.0)	\$ (19.7)	\$ (22.3)	\$ (20.0)	\$ (45.3)	\$ (48.4)	\$ (43.4)	\$ (43.6)	\$ (42.3)
General revenues and other changes in net assets	\$ 24.3	\$ 22.2	\$ 26.8	\$ 23.6	\$ 45.9	\$ 43.8	\$ 43.4	\$ 42.9	\$ 40.3
Total change in net assets	\$ (1.7)	\$ 2.5	\$ 4.4	\$ 3.6	\$ 0.6	\$ (4.6)	\$ (0.0)	\$ (0.8)	\$ (2.0)

Source: Audited Financial Statements

Note: There may be some slight differences in totals due to rounding.

Table A-4

CITY OF KANKAKEE, ILLINOIS
FUND BALANCES, GOVERNMENTAL FUNDS (Unaudited)
Fiscal Years Ended April 30, 2004 to 2012
(accrual basis of accounting)
(amounts expressed in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund									
Nonspendable	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.6	\$ 0.8	\$ 0.9	\$ 0.5	\$ 0.5	\$ 0.4
Unassigned	<u>2.2</u>	<u>2.1</u>	<u>2.6</u>	<u>2.6</u>	<u>2.3</u>	<u>1.3</u>	<u>0.0</u>	<u>1.0</u>	<u>1.4</u>
Total general fund	<u>\$ 2.6</u>	<u>\$ 2.6</u>	<u>\$ 3.1</u>	<u>\$ 3.2</u>	<u>\$ 3.1</u>	<u>\$ 2.2</u>	<u>\$ 0.5</u>	<u>\$ 1.6</u>	<u>\$ 1.8</u>
All Other Governmental Funds									
Restricted for:									
Capital projects fund	\$ 1.6	\$ 5.9	\$ 3.5	\$ 7.4	\$ 5.4	\$ 7.9	\$ 4.4	\$ 8.0	\$ 5.0
Unexpended street maintenance									1.3
Economic development									0.9
Culture & recreation									0.0
Retirement obligations									0.4
Community development									0.2
Special revenue funds	1.6	2.0	2.2	1.8	2.5	1.9	1.6	1.3	
Debt service funds	1.8	1.5	1.2	0.7	0.9	1.0	0.3	0.3	0.4
Unassigned, reported in:									
Special revenue funds	1.5	1.2	0.9	0.4	1.7	0.7	0.3	0.8	(0.1)
Capital projects funds	-	-	-	-	-	-	-	-	-
Debt service funds	<u>(0.0)</u>	<u>(0.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$ 6.4</u>	<u>\$ 10.6</u>	<u>\$ 7.8</u>	<u>\$ 10.3</u>	<u>\$ 10.6</u>	<u>\$ 11.5</u>	<u>\$ 6.6</u>	<u>\$ 10.4</u>	<u>\$ 8.1</u>
Total, all governmental funds	<u>\$ 9.0</u>	<u>\$ 13.2</u>	<u>\$ 10.9</u>	<u>\$ 13.5</u>	<u>\$ 13.7</u>	<u>\$ 13.7</u>	<u>\$ 7.2</u>	<u>\$ 12.0</u>	<u>\$ 9.9</u>

Source: Audited Financial Statements

Note: There may be some slight differences in totals due to rounding

Table A-5

CITY OF KANKAKEE, ILLINOIS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (Unaudited)
Fiscal Years Ended April 30, 2004 to 2012
(modified accrual basis of accounting)
(amounts expressed in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues									
Taxes	\$ 18.5	\$ 19.8	\$ 22.4	\$ 22.5	\$ 44.6	\$ 42.9	\$ 39.8	\$ 42.7	\$ 38.8
Special assessments						0.3	0.3	0.3	0.3
Licenses, fees and permits	1.6	1.4	1.4	1.5	1.1	1.1	1.2	1.3	1.4
Intergovernmental	3.5	5.0	4.8	4.7	7.9	4.7	3.6	4.5	4.1
Charges for services	0.5	0.9	0.7	0.6	0.5	0.7	0.8	0.3	0.2
Fines and penalties	0.7	0.8	0.6	0.5	0.5	0.4	0.4	0.4	0.4
Investment earnings	0.1	0.2	0.6	0.9	0.9	0.4	0.1	0.1	0.1
Other revenues	0.4	0.3	0.3	0.2	0.1	0.3	0.7	0.8	0.9
Total revenues	<u>\$ 25.4</u>	<u>\$ 28.3</u>	<u>\$ 30.8</u>	<u>\$ 30.9</u>	<u>\$ 55.6</u>	<u>\$ 50.8</u>	<u>\$ 46.9</u>	<u>\$ 50.5</u>	<u>\$ 46.1</u>
Expenditures									
General government	\$ 4.7	\$ 5.4	\$ 6.5	\$ 7.1	\$ 9.1	\$ 8.2	\$ 7.6	\$ 7.2	\$ 6.8
Public safety	11.2	11.9	12.4	13.0	14.2	22.8	16.0	16.1	16.9
Public works	2.1	2.0	2.2	2.1	2.7	3.5	2.6	0.3	
Highways and streets	1.0	2.9	5.0	3.8	7.7	4.0	2.8	1.3	2.2
Community development	2.0	2.6	1.4	1.4	2.3	2.5	1.9	2.4	2.2
Culture and recreation	0.1	0.1	0.1	0.1	0.1	0.3	0.1	0.0	0.2
Economic development	4.1	0.7	1.4	0.5	24.2	18.8	16.5	16.4	12.4
Debt Service:									
Principal retirement	5.1	2.5	2.8	2.9	3.3	3.9	4.2	4.6	4.8
Interest and fiscal charges	1.9	2.0	2.2	4.0	2.3	3.4	2.7	3.1	2.9
Total expenditures	<u>\$ 32.2</u>	<u>\$ 30.1</u>	<u>\$ 34.0</u>	<u>\$ 34.8</u>	<u>\$ 65.7</u>	<u>\$ 67.6</u>	<u>\$ 54.4</u>	<u>\$ 51.3</u>	<u>\$ 48.4</u>
Other Financing Sources (Uses)									
Proceeds from borrowing	\$ 16.8	\$ 6.4		\$ 5.8	\$ 10.3	\$ 17.6		\$ 5.0	
Proceeds from refunding	8.0	3.2		4.3		15.1		1.7	\$ 4.8
Payments to escrow agent	(7.9)	(3.1)		(4.4)		(11.0)		(1.7)	(4.7)
Proceeds from disposal of capital assets				0.1					
Transfers in	3.8	1.9	\$ 2.9	4.1	4.0	\$ 4.7	4.4	4.5	2.9
Transfers out	(7.5)	(1.7)	(2.0)	(3.4)	(4.1)	(9.6)	(2.9)	(3.7)	(3.0)
Total other financing sources (uses)	<u>13.2</u>	<u>6.6</u>	<u>0.9</u>	<u>6.6</u>	<u>10.3</u>	<u>16.8</u>	<u>1.5</u>	<u>5.8</u>	<u>(0.1)</u>
Net change in fund balances	<u>\$ 6.4</u>	<u>\$ 4.8</u>	<u>\$ (2.4)</u>	<u>\$ 2.6</u>	<u>\$ 0.2</u>	<u>\$ (0.0)</u>	<u>\$ (6.0)</u>	<u>\$ 5.0</u>	<u>\$ (2.3)</u>
Capital Outlay (included in expenditures above)	<u>\$ 1.4</u>	<u>\$ 2.3</u>	<u>\$ 4.0</u>	<u>\$ 4.3</u>	<u>\$ 6.7</u>	<u>\$ 12.2</u>	<u>\$ 1.6</u>	<u>\$ 1.6</u>	<u>\$ (0.0)</u>
Debt service as a percentage of non-capital expenditures	22.7%	16.2%	16.8%	22.5%	9.5%	13.2%	13.2%	15.3%	16.0%

Source: Audited financial statements

Note: There may be some slight differences in totals due to rounding.

Table B-1

CITY OF KANKAKEE, ILLINOIS
ASSESSED VALUATION AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (Unaudited)
LEVY YEARS 2002 - 2011
(amounts expressed in thousands)

Levy Year	Residential ²	Commercial ²	Industrial ²	Farm ²	Railroad ²	Valuation, <u>City of Kankakee</u> Assessed ² Actual ²		Ratio, Assessed/ Actual	City Direct Rate ¹
2011	\$ 164,041	\$ 79,539	\$ 21,613	\$ 374	\$ 2,185	\$ 267,752	\$ 803,255	33.3%	5.448
2010	182,769	82,501	21,676	448	1,887	289,282	867,845	33.3%	4.880
2009	182,470	83,328	21,645	428	1,682	289,554	868,661	33.3%	4.785
2008	183,737	81,298	20,377	467	1,382	287,261	861,782	33.3%	3.997
2007	181,232	79,317	22,242	482	1,135	284,408	853,225	33.3%	3.808
2006	168,329	75,596	20,813	483	1,090	266,311	798,933	33.3%	3.806
2005	153,859	70,978	20,783	483	1,066	247,168	741,504	33.3%	3.735
2004	138,099	68,247	21,439	488	1,203	229,476	688,429	33.3%	3.923
2003	140,738	64,576	21,168	505	1,367	228,354	685,061	33.3%	3.693
2002	138,202	64,107	21,289	478	1,369	225,446	676,337	33.3%	3.168

Source: Office of the Kankakee County Clerk

Note: State law prescribes an assessment ratio of 33% of actual value.

¹City Direct rate is per \$100 EAV

²Amounts expressed in thousands

Note: There may be some slight differences in totals due to rounding.

Table B-2

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAX RATES - PER \$100 ASSESSED VALUATION,
DIRECT AND OVERLAPPING GOVERNMENT (Unaudited)
LEVY YEARS 2002 - 2011

LEVY YEAR	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
City Direct Rates										
General Fund:										
General Corporate	\$0.010	\$0.010	\$0.010	\$0.009	\$0.009	\$0.008	\$0.008	\$0.008	\$0.006	\$0.007
Fire Protection	0.108	0.106	0.107	0.098	0.092	0.087	0.087	0.086	0.163	0.183
Police Protection	0.083	0.082	0.082	0.076	0.071	0.067	0.067	0.067	0.173	0.194
Firemen's Pension	0.426	0.473	0.523	0.482	0.510	0.511	0.547	0.797	0.753	0.826
Police Pension	0.342	0.412	0.460	0.461	0.461	0.484	0.501	0.699	0.661	0.792
School Crossing Guard	0.013	0.012	0.013	0.012	0.011	0.010	0.010	0.010	0.011	0.012
Liability Insurance	0.460	0.454	0.455	0.421	0.378	0.371	0.370	0.369	0.401	0.452
Audit	0.015	0.015	0.016	0.015	0.014	0.013	0.013	0.013	0.015	0.017
Debt Service	<u>1.169</u>	<u>1.248</u>	<u>1.421</u>	<u>1.377</u>	<u>1.509</u>	<u>1.465</u>	<u>1.550</u>	<u>1.812</u>	<u>1.773</u>	<u>1.961</u>
Total General Fund	<u>\$2.626</u>	<u>\$2.812</u>	<u>\$3.087</u>	<u>\$2.951</u>	<u>\$3.055</u>	<u>\$3.016</u>	<u>\$3.153</u>	<u>\$3.861</u>	<u>\$3.956</u>	<u>\$4.444</u>
Special Revenue Funds										
Parks	\$0.018	\$0.017	\$0.017	\$0.016	\$0.015	\$0.014	\$0.014	\$0.014	\$0.000	\$0.000
Band	0.007	0.007	0.007	0.006	0.006	0.006	0.006	0.006	0.006	0.007
IMRF	0.241	0.238	0.239	0.220	0.207	0.194	0.203	0.280	0.295	0.323
Library	<u>0.276</u>	<u>0.619</u>	<u>0.573</u>	<u>0.542</u>	<u>0.523</u>	<u>0.578</u>	<u>0.621</u>	<u>0.624</u>	<u>0.623</u>	<u>0.674</u>
Total Special Revenue Funds	<u>\$0.542</u>	<u>\$0.881</u>	<u>\$0.836</u>	<u>\$0.784</u>	<u>\$0.751</u>	<u>\$0.792</u>	<u>\$0.844</u>	<u>\$0.924</u>	<u>\$0.924</u>	<u>\$1.004</u>
Total City Direct Rate	<u>\$3.168</u>	<u>\$3.693</u>	<u>\$3.923</u>	<u>\$3.735</u>	<u>\$3.806</u>	<u>\$3.808</u>	<u>\$3.997</u>	<u>\$4.785</u>	<u>\$4.880</u>	<u>\$5.448</u>
Special District and Overlapping Unit Rates										
Special Service Area No 1	\$2.000	\$2.000	\$2.000	\$1.986	\$1.963	\$2.000	\$2.000	\$2.000	\$2.000	\$2.000
Special Service Area No 2	0.050	0.048	0.047	0.047	0.043	0.041	0.039	0.040	0.040	0.044
Special Service Area No 3		1.249	1.198	1.087	1.008	0.947	0.952	0.083	0.083	0.100
Special Service Area No 5					0.300	0.300	0.300	0.300	0.300	0.145
Kankakee Township (including Road & Bridge)	0.550	0.551	0.536	0.515	0.508	0.494	0.511	0.515	0.533	0.569
School District No 111	4.577	4.620	4.664	4.455	4.320	4.196	4.294	4.319	4.325	4.695
Kankakee Valley Airport Authority	0.056	0.051	0.049	0.045	0.043	0.039	0.039	0.038	0.038	0.040
Kankakee Valley Park District	0.564	0.568	0.577	0.549	0.531	0.511	0.518	0.519	0.526	0.568
Kankakee County Forest Preserve District	0.060	0.060	0.060	0.058	0.056	0.054	0.056	0.057	0.059	0.060
Kankakee County	0.874	0.881	0.881	0.842	0.833	0.833	0.816	0.807	0.833	0.890
Kankakee Community College Dist #520	<u>0.280</u>	<u>0.311</u>	<u>0.304</u>	<u>0.320</u>	<u>0.348</u>	<u>0.381</u>	<u>0.377</u>	<u>0.384</u>	<u>0.396</u>	<u>0.404</u>
Total Overlapping Units	<u>\$9.011</u>	<u>\$10.339</u>	<u>\$10.316</u>	<u>\$9.904</u>	<u>\$9.953</u>	<u>\$9.796</u>	<u>\$9.902</u>	<u>\$9.062</u>	<u>\$9.133</u>	<u>\$9.515</u>
Overall Tax Rate	<u>\$12.179</u>	<u>\$14.032</u>	<u>\$14.239</u>	<u>\$13.639</u>	<u>\$13.759</u>	<u>\$13.604</u>	<u>\$13.899</u>	<u>\$13.847</u>	<u>\$14.013</u>	<u>\$14.963</u>

Note: Each taxing unit levies a total dollar amount. The rate is then determined by the County by dividing the levy by the taxable equalized assessed value of the property within each taxing unit's district.

Source: Tax bills for respective years

Note: There may be some slight differences in totals due to rounding.

Table B-3

CITY OF KANKAKEE
PRINCIPAL PROPERTY TAXPAYERS (Unaudited)
LEVY YEARS 2002 AND 2011 (10 YEARS, PRIOR AND CURRENT LEVY YEAR)

<u>Taxpayer</u>	<u>Levy year 2002</u>			<u>Levy year 2011</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Cognis Corporation	\$ 6,443,406	1	3.03%	\$ 4,990,109	1	1.86%
Walmart				3,658,733	2	1.37%
Great Oak LLC	4,068,074	2	1.92%			
Armstrong World Industries, Inc.	2,775,326	4	1.31%	2,864,843	3	1.07%
Riverside Senior Living Center	2,821,979	3	1.33%	2,821,979	4	1.05%
Riverwoods Association	2,584,353	5	1.22%	2,609,679	5	0.97%
Space Center Chicago, Inc.	2,582,239	6	1.22%	2,557,311	6	0.96%
GNB Industrial Battery	1,938,391	7				
Rohm & Haas (Cor Unum)				2,169,030	7	
Riverstone Hotel Partners LLC				2,033,130	8	0.76%
Provena Properties (Med Centers)	1,842,623	8		1,842,623	9	0.69%
Heritage Executive Center, Inc.	1,799,820	9		1,817,458	10	0.68%
Edward Streit	<u>1,792,000</u>	10	0.84%	<u>-</u>		
Total	<u>\$ 28,648,211</u>		13.49%	<u>\$ 27,364,895</u>		10.22%
Total EAV	<u>\$ 212,377,815</u>			<u>\$ 267,751,639</u>		

Source: Kankakee County Treasurer

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS (Unaudited)
LEVY YEARS 2002 - 2011

<u>Tax Levy Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>
2011	\$ 13,699,916		
2010	13,293,730	\$ 13,273,991	99.9%
2009	12,300,212	12,328,309	100.2%
2008	10,438,232	10,325,580	98.9%
2007	10,015,994	9,822,065	98.1%
2006	9,432,477	9,238,993	97.9%
2005	8,702,452	8,714,051	100.1%
2004	8,488,900	8,397,370	98.9%
2003	7,980,341	7,941,490	99.5%
2002	6,728,350	6,657,443	98.9%

Property taxes levied during the current fiscal year are not extended and/or collected until the subsequent fiscal year. Therefore, no property taxes are collected for the most recent tax levy year at the close of the current fiscal year.

Property taxes not paid at the time of the payment deadline are sold by the County Treasurer at auction. The proceeds from the sale of the unpaid taxes are remitted by the County to the City by the end of each calendar year. Therefore, there are no tax collections for subsequent years. The property owners then have two years to purchase the taxes back through the County before title to the property passes to the holder of the paid taxes.

The County Clerk rounds the levy to assure the full levy is extended. Periodically, this results in property tax collections slightly greater than 100% for a particular levy year.

Table C-1

CITY OF KANKAKEE, ILLINOIS
OUTSTANDING DEBT (PRINCIPAL AND INTEREST) BY TYPE AND LEGAL DEBT MARGIN (Unaudited)
Fiscal Years Ended April 30, 2003 to 2012

Fiscal Year Ended	Governmental Activities		Business-type Activities			Total Primary Government (A+B+E)	Total Debt per Capita	Total Debt as a % of Personal Income
	General Obligation Bonds (A)	Installment Loans (B)	Revenue Bonds (C)	Other Loans (D)	Total Business- type (C+D=E)			
2012	\$65,302,327	\$2,591,617	\$ 8,765,000	\$4,000,000 ¹	\$ 12,765,000	\$ 80,658,944	\$ 2,929	9.1%
2011	69,687,327	2,884,600	9,205,000		9,205,000	81,776,927	2,970	9.2%
2010	68,912,327	3,166,333	6,795,000		6,795,000	78,873,660	2,869	9.0%
2009	72,817,327	3,484,556	2,970,000		2,970,000	79,271,883	2,884	9.1%
2008	55,097,327	3,660,534	7,545,000		7,545,000	66,302,861	2,412	8.0%
2007	51,455,000	359,319	8,075,000		8,075,000	59,889,319	2,179	7.6%
2006	50,620,000	444,500	8,585,000		8,585,000	59,649,500	2,170	7.8%
2005	53,110,000	703,023	9,075,000		9,075,000	62,888,023	2,288	8.3%
2004	49,165,000	733,086	9,545,000		9,545,000	59,443,086	2,162	8.0%
2003	34,295,000	2,893,657	9,995,000	\$ 3,931 ²	9,998,931	47,187,588	1,716	6.5%

¹Line of credit

²Installment loan

COMPUTATION OF LEGAL DEBT MARGIN -

The City of Kankakee, Illinois is a "Home Rule" unit as established by the 1970 Illinois Constitution. As a Home Rule Community, no statutory debt limit exists.

Table C-2

CITY OF KANKAKEE, ILLINOIS
RATIOS OF GENERAL OBLIGATION DEBT OUTSTANDING (Unaudited)
Fiscal Years Ended April 30, 2003 to 2012

<u>Fiscal Year Ended</u>	<u>GO Bonds</u>	<u>GO Debt Per Capita</u>	<u>GO Debt as a % of Personal Income</u>	<u>GO Debt as a % of Actual Property EAV</u>	<u>Value</u>	<u>Revenue Coverage, Utility Bonds</u>
2012	\$ 65,302,327	\$ 2,371	7.4%	22.6%	7.5%	2.48
2011	69,687,327	2,531	7.8%	24.1%	8.0%	2.48
2010	68,912,327	2,507	7.9%	23.8%	7.9%	3.80
2009	72,817,327	2,649	8.3%	25.3%	8.4%	0.19
2008	55,097,327	2,004	6.6%	19.4%	6.5%	1.36
2007	51,455,000	1,872	6.5%	19.3%	6.4%	1.31
2006	50,620,000	1,841	6.6%	20.5%	6.8%	0.99
2005	53,110,000	1,932	7.0%	23.1%	7.7%	0.74
2004	49,165,000	1,788	6.6%	21.5%	7.2%	0.71
2003	34,295,000	1,247	4.7%	15.2%	5.1%	0.46

Population and personal income from Table D-1

Source of Revenue coverage calculation: City Records

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF DIRECT AND OVERLAPPING DEBT (Unaudited)
April 30, 2012

<u>Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Estimate Applicable to City</u>	
		<u>Percent</u>	<u>Amount</u>
Direct			
City of Kankakee ⁽¹⁾	\$ 45,777,327	100.00%	\$ 45,777,327
Overlapping ⁽²⁾			
Kankakee School District No. 111	13,256,099	65.98%	8,746,374
Herscher SD#2	5,605,000	0.59%	33,070
Bradley SD#61	625,000	4.06%	25,375
Bradley-Bourbonnais HS #307	13,725,000	1.24%	170,190
Clifton SD#4	10,798,794	2.00%	215,976
Bourbonnais Park District	2,995,000	1.41%	42,230
Kankakee Community College #520	9,520,000	10.97%	1,044,344
Kankakee County ³	-	13.27%	-
Total Overlapping Debt	<u>56,524,893</u>		<u>10,277,559</u>
Total Net Direct and Overlapping Debt	<u>\$ 102,302,220</u>		<u>\$ 56,054,886</u>

2011 Equalized Assessed Valuation (EAV)	\$ 267,751,639
2011 Estimated Full Valuation	\$ 803,254,917
Population - 2010 Census	27,537
Full Valuation per Capita	\$ 29,170

Debt Ratios

	<u>% EAV</u>	<u>% Full Value</u>	<u>Per Capita</u>
Net Direct Debt: \$ 45,777,327	17.10%	5.70%	\$ 1,662
Net Direct and Overlapping Debt: \$ 56,054,886	20.94%	6.98%	\$ 2,036

(1) Net direct debt is exclusive of self-supporting debt

(2) Debt Information current to April 2012; overlapping bonded debt as of February 2012; source is Kankakee County

(3) The County's bonded debt totals \$14,740,000, all of which is self-supporting

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF UTILITY REVENUE SUPPORTED BOND COVERAGE (Unaudited)
Fiscal Years Ended April 30, 2003 to 2012

<u>FISCAL YEAR</u>	<u>Sewer Revenue</u>	<u>Sewer Expense (1)</u>	<u>Net Revenues Available for Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage (2)</u>
2012	\$ 9,426,813	\$ 7,284,586	\$ 2,142,227	\$ 440,000	\$ 424,515	\$ 864,515	2.48
2011	8,626,955	7,212,080	2,409,054	3,030,000	438,202	3,468,202	0.69
2010	7,872,919	6,392,731	1,480,188	175,000	214,788	389,788	3.80
2009	7,692,088	7,053,293	638,795	3,078,923	356,250	3,435,173	0.19
2008	8,836,943	7,598,441	1,238,502	530,000	377,936	907,936	1.36
2007	8,391,133	7,203,822	1,187,311	510,000	398,626	908,626	1.31
2006	8,290,892	7,393,728	897,164	490,000	417,930	907,930	0.99
2005	8,257,237	7,588,837	668,400	470,000	435,823	905,823	0.74
2004	7,919,209	7,278,870	640,339	450,000	457,855	907,855	0.71
2003	8,203,457	7,781,036	422,421	430,000	478,685	908,685	0.46

(1) Total operating expenses exclusive of depreciation.

(2) Net revenues available for Debt Service divided by Debt Service payments.

Table D-1

CITY OF KANKAKEE, ILLINOIS
DEMOGRAPHIC AND ECONOMIC STATISTICS (Unaudited)
Fiscal Years Ended April 30, 2003 to 2012

<u>Fiscal Year Ended</u>	<u>Population</u> ¹	<u>Per Capita Personal Income</u> ²	<u>Total Personal Income</u>	<u>Unemployment Rate</u> ³
2012	27,537	\$ 32,261	\$ 888,371,157	14.5%
2011	27,537	32,398	892,143,726	15.0%
2010	27,491	31,810	874,488,710	16.7%
2009	27,491	31,738	872,509,358	15.5%
2008	27,491	30,269	832,125,079	12.0%
2007	27,491	28,812	792,070,692	8.8%
2006	27,491	27,694	761,335,754	7.9%
2005	27,491	27,430	754,078,130	9.1%
2004	27,491	27,103	745,088,573	9.9%
2003	27,491	26,267	722,106,097	9.9%

¹ Census Bureau

² Bureau of Economic Analysis for Kankakee/Bradley Metro Statistical Area

³ June 2012, Illinois Department of Employment Security

Table D-2

CITY OF KANKAKEE, ILLINOIS
LARGEST REGIONAL EMPLOYERS (Unaudited)
Fiscal Years Ended April 30, 2003 and April 30, 2012

<u>Employer</u>	2003			2012		
	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total County Population</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>% of Total County Population</u>
Riverside Healthcare	1,700	1	1.6%	2,254	1	2.0%
Shapiro Developmental Center	1,300	2	1.3%	1,400	2	1.2%
St. Mary's Hospital (Provena)	800	5	0.8%	1,199	3	1.1%
CIGNA (Connecticut General Insurance)	1,111	3	1.1%	900	4	0.8%
Kankakee School District No. 111	797	6	0.8%	760	5	0.7%
CSL Behring	900	4	0.9%	804	6	0.7%
Baker & Taylor Company	800	5	0.8%	600	7	0.5%
Kankakee County Government	491	9	0.5%	536	8	0.5%
Olivet Nazarene University	320	14	0.3%	531	9	0.5%
Sears Logistics Services	675	7	0.7%	388	10	0.3%
Kankakee Community College	500	8	0.5%	385	11	0.3%
Illinois Veterans' Home ¹				335	12	0.3%
Van Drunen Farms ¹				302	13	0.3%
City of Kankakee	373	12	0.4%	301	14	0.3%
Armstrong World Industries, Inc.	<u>329</u>	13	0.3%	<u>270</u>	15	0.2%
Total	<u>10,096</u>		9.7%	<u>10,965</u>		9.7%

¹Employer was not in top 15 in calendar 2002

Source: Economic Alliance of Kankakee County, September 2011
City of Kankakee records from fiscal 2003 audit

Table E-1

CITY OF KANKAKEE, ILLINOIS
FULL-TIME EQUIVALENT EMPLOYEES (Unaudited)
Fiscal Years Ended April 30, 2003 to 2012

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government										
Mayor and Council	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Affirmative Action/Personnel	1.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Clerk	3.5	3.5	3.5	3.5	3.5	3.5	3.0	3.0	3.0	2.5
Finance/Central Services										
Accounting	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Billing and Collections	2.0	1.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5	0.5
Legal										
Counsel and Legal	1.5	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Adjudication	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0
Senior Aides	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	-	-
Public Safety										
Police										
Officers	73.0	71.0	70.0	70.0	73.0	73.0	74.0	74.0	70.0	69.0
Civilians	14.0	15.0	15.0	15.0	15.0	15.0	13.0	13.0	12.0	7.0
Fire										
Firefighters and Officers	50.0	50.0	50.0	51.0	52.0	52.0	58.0	58.0	56.0	52.0
Civilians	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0
Code	17.0	15.0	15.0	16.0	16.0	16.0	15.0	15.0	12.0	9.0
Planning	1.0	-	-	-	-	-	-	-	-	-
Public Works										
Administration	2.0	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Garage	2.0	2.0	2.0	2.0	4.0	4.0	4.0	4.0	4.0	3.0
Streets, Alleys, and Solid Waste	10.0	10.0	10.0	10.0	19.0	21.0	21.0	21.0	22.0	25.0
Parks	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	-	-
Community Development Agency	6.0	6.0	6.0	6.0	6.0	6.0	9.0	9.0	9.0	9.0
Sewer Utility										
Administration and clerical	8.0	8.0	7.0	4.0	4.0	4.0	3.0	3.0	2.0	1.0
Lab	6.0	6.0	6.0	6.0	6.0	6.0	5.0	5.0	5.0	6.0
Sewer services	10.0	10.0	10.0	10.0	10.0	10.0	9.0	9.0	9.0	9.0
Technical services	4.0	4.0	4.0	4.0	5.0	5.0	11.0	11.0	11.0	9.0
Building maintenance	3.0	4.0	4.0	4.0	2.0	2.0	2.0	2.0	1.0	1.0
Plant operations and maintenance	-	-	-	-	-	-	-	-	-	-
Total	<u>242.0</u>	<u>238.0</u>	<u>237.0</u>	<u>237.5</u>	<u>251.5</u>	<u>253.5</u>	<u>262.0</u>	<u>262.0</u>	<u>248.0</u>	<u>232.5</u>

Source: City records

Note: There may be some slight differences in totals due to rounding

Table E-2

CITY OF KANKAKEE, ILLINOIS
OPERATING INDICATORS (Unaudited)
Fiscal Years Ended April 30, 2003 to April 30, 2012

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety										
Police										
Total arrests	3,039	2,809	2,478	2,633	2,575	3,750	2,366	2,225	2,038	2,038
Traffic citations	5,778	7,670	7,328	3,459	4,265	6,983	5,279	3,540	5,260	5,260
Fire										
Fire runs	1,330	2,232	2,378	2,479	2,643	2,564	2,727	2,328	2,509	5,377
Structure fires	79	102	94	123	124	114	144	173	123	88
EMS calls	3,127	3,314	3,371	3,394	3,445	3,755	3,723	3,768	3,782	3,658
Public Works										
Refuge collected (cu. yds)				19,627	22,718	22,718	22,718	19,005	10,059	10,059
Brush collected/processed (cu. yds.)				13,238	19,411	19,411	19,411	12,895	13,800	13,800
Wastewater										
Number of customers										
Residential and commercial	8,459	8,433	8,383	8,337	8,302	8,162	8,043	7,907	7,985	7,957
Industrial and institutional	47	42	38	38	33	36	40	40	40	44
Sewer charges (in thousands of \$'s)										
Residential	\$ 2,437	\$ 2,397	\$ 2,436	\$ 2,558	\$ 2,525	\$ 2,516	\$ 2,737	\$ 3,222	\$ 3,373	\$ 3,718
Industrial	\$ 4,152	\$ 3,816	\$ 4,197	\$ 3,979	\$ 4,130	\$ 4,714	\$ 4,372	\$ 4,729	\$ 5,076	\$ 5,709
Treatment capacity (MGPD)	17	17	16	15	14	14	14	14	14	14
Present Load (MGPD)	9	9	9	8	8	8	8	8	8	8

Source: City records

Table E-3

CITY OF KANKAKEE, ILLINOIS
CAPITAL ASSET STATISTICS (Unaudited)
Fiscal Years Ended April 30, 2003 to April 30, 2012

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	24	24	24	24	24	24	25	25	25	25
Fire										
Stations	6	6	6	6	6	6	7	7	7	7
Front-line apparatus	6	6	6	6	6	6	7	7	7	7
Public works										
Streets (miles)		248	249	254	256	270	270	270	270	270
Alleys (miles)		113	113	113	113	113	113	113	113	113
Bridges		17	17	17	17	17	17	17	17	17
Sidewalks (miles)		219	219	221	222	222	222	222	222	222
Streetlights		135	135	180	192	192	192	192	192	192
Traffic signals (intersections)		9	9	9	33	33	33	33	33	33
Storm sewers (miles)		117	117	119	120	122	122	122	122	122
Wastewater										
Sanitary sewers (miles)	118	118	130	145	145	145	145	145	145	145

Capital assets information (Public works section) are not available for years prior to fiscal 2004

Source: City records

SINGLE AUDIT SECTION



GROSKREUTZ
SCHMIDT
ABRAHAM
ESHLEMAN
& GERRETSE

PARTNERS

Larry D. Groskreutz, C.P.A.
M.J. Abraham, C.P. A.
Amy Eshleman, C.P.A.
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ACCOUNTANTS AND CONSULTANTS

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council
City of Kankakee, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, Illinois (the City) as of and for the year ended April 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Groskreutz, Schmidt, Abraham, Eskleman & Gerretze

Kankakee, Illinois
October 18, 2012



GROSKREUTZ
SCHMIDT
ABRAHAM
ESHLEMAN
& GERRETSE

PARTNERS

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ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor and
Members of the City Council
City of Kankakee, Illinois

Compliance

We have audited the City of Kankakee, Illinois' (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended April 30, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2012.

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Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Groskreutz, Schmidt, Abraham, Eskleman & Gerretze

Kankakee, Illinois
October 18, 2012

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended April 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>MAJOR PROGRAMS</u>			
<u>Department of Housing and Urban Development</u>			
Lead-Based Paint Abatement	14.900	ILL HB 0456-09	<u>\$1,119,601</u>
<u>Department of Justice</u>			
JAG Program Cluster:			
FY2007 Justice Assistance Grant Program	16.738	2007-DJ-BX-0341	72
FY2008 Justice Assistance Grant Program	16.738	2008-DJ-BX-0147	13,469
FY2010 Justice Assistance Grant Program	16.738	2010-DJ-BX-1386	16,235
Passed-through Illinois Criminal Justice Information Authority:			
Edward Byrne Memorial Justice Assistance	16.738	409005	88,291
Edward Byrne Memorial Justice Assistance	16.738	408705	4,770
Edward Byrne Memorial Justice Assistance	16.738	407705	5,194
			<u>128,031</u>
Edward Byrne Memorial Justice Assistance (2009) - ARRA	16.803	809023	90,038
Edward Byrne Memorial Justice Assistance (2009) - ARRA	16.803	809105	63,303
			<u>153,341</u>
Total JAG Program Cluster			<u>281,372</u>
Total Major Programs			<u>1,400,973</u>
<u>OTHER PROGRAMS</u>			
<u>Department of Transportation</u>			
Passed-through Illinois Department of Transportation:			
Highway Planning and Construction	20.205	P-93-035-10	47,032
Highway Planning and Construction	20.205	P-93-024-06	53,615
			<u>100,647</u>
Highway Safety Project	20.601	0P-029-156-49	14,225
Total Department of Transportation			<u>114,872</u>
<u>Institute of Museum and Library Services</u>			
Passed-through Illinois State Library			
Library Services and Technology Act	45.310		<u>16,740</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the year ended April 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>Department of Energy</u>			
Passed-through Kankakee County			
Energy Efficiency and Conservation Block Grant - ARRA	81.128	DE-EE0000824	<u>\$ 80,750</u>
<u>Department of Housing and Urban Development</u>			
CDBG - Entitlement Grants cluster:			
Community Development Block Grant - ARRA	14.253	B-09-MY-17-0026	<u>118,459</u>
Community Development Block Grant:			
Program year 2010	14.218	B-10-MC-17-0026	166,585
Program year 2011	14.218	B-11-MC-17-0026	509,799
			<u>676,384</u>
Total CDBG-Entitlement Grants cluster			<u>794,843</u>
Passed-through Illinois Housing Development Authority:			
Homebuyer Acquisition and Rehabilitation Program	14.239	SHB-50250	94,070
Homebuyer Acquisition and Rehabilitation Program	14.239	SHB-50436	78,993
Single Family Owner-Occupied Rehab Program	14.239	HO-50219	207,546
			<u>380,609</u>
Total Department of Housing and Urban Development			<u>1,175,452</u>
<u>Department of Justice</u>			
Passed-through Illinois Criminal Justice Information Authority:			
Law Enforcement/Prosecutor-Based Victim Assistance Services	16.575	210044	6,790
Law Enforcement/Prosecutor-Based Victim Assistance Services	16.575	211044	23,790
			<u>30,580</u>
Passed-through Kankakee Area Metropolitan Enforcement Group:			
Project Safe Neighborhood	16.609	A1781	<u>6,515</u>
Total Department of Justice			<u>37,095</u>
Total Other Programs			<u>1,424,909</u>
Total Federal Awards			<u>\$2,825,882</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended April 30, 2012

SIGNIFICANT ACCOUNTING POLICIES:

The City's accounting records are maintained in accordance with the accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board.

The significant accounting policies followed by the City are as follows:

Reporting Entity

The financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Under modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers grant revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual basis of accounting.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until earned.

Subrecipients

The City awarded \$80,750 to subrecipients from the Energy Efficiency and Conservation Block Grant – ARRA (CFDA No. 81.128).

Other information

The City did not receive any federal insurance or non-cash assistance.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended April 30, 2012

SECTION I – SUMMARY OF AUDITORS RESULTS:

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditors report issued on compliance for major programs: Unqualified

Any audit finding disclosed that are required to be reported in accordance with §510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.900	Lead-Based Paint Abatement
16.738	JAG Program Cluster:
16.738	Justice Assistance Grant Program
16.803	Edward Byrne Memorial Justice Assistance
	Edward Byrne Memorial Justice Assistance - ARRA

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)
For the year ended April 30, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS:

No findings are reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

No findings are reported.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:

No findings were reported.

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